The Defence of New Zealand 1991

A POLICY PAPER

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THE DEFENCE OF NEW ZEALAND 1991

A Policy Paper

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CONTENTS

	Page
PREFACE	5
SUMMARY	7
INTRODUCTION	14
CHAPTER 1 : NEW ZEALAND'S STRATEGIC SITUATION	16
Constants in the Strategic Situation	17
The Strategic Variables	22
The Non Nuclear Policy	26
Broad Conclusions : The Credible Minimum Force	28
CHAPTER 2 : NEW ZEALAND'S SECURITY INTERESTS	31
The Implications for Defence Policy	36
CHAPTER 3 : A DEFENCE STRATEGY FOR NEW ZEALAND	45
Defence Policy Goals	45
How Best to Meet These Goals	45
The Preferred Strategy : Self Reliance in Partnership	52
CHAPTER 4 : THE CAPABILITIES NEEDED FOR NEW ZEALAND'S DEFENCE	55
CHAPTER 5 : THE PRESENT FORCE STRUCTURE	69
CHAPTER 6 : PLANNING AND FUNDING	86
Planning	87
Funding	89
CHAPTER 7 : THE WAY AHEAD	95
List of Reviews	96
Guidelines	96
The Review Process	103
Conclusion	103
ANNEX ONE : The New Zealand Defence Force	104
ANNEX TWO : Tasks and Sub-Tasks	108
DIAGRAMS—Maps	56–57 112

PREFACE

Defence is an important issue for New Zealanders. We are fortunate enough not to face any direct threat but our involvement in international affairs requires the support of a well-judged defence policy.

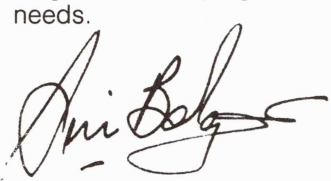
This is more than just sensible insurance. We cannot assume that the international situation will always be benign. Being able to support our friends and our interests is an essential part of our foreign policy, for a country which does not maintain an adequate defence capability is a burden to its friends and is unable to promote its own security or that of others.

Before the election we signalled that New Zealand's defence policies were too isolationist in their thrust and that we would bring New Zealand back to its correct place in the international community. This statement of defence policy sets out my Government's commitment to an intenationalist approach to New Zealand's foreign and defence policies rather than a purely regional outlook.

Because of the importance of defence, the Government has decided to make an early statement on the direction in which New Zealand's policy will move. This White Paper is the "defence assessment" required by the Defence Act 1990 but it has a wider scope than usual. It looks at the permanent features which shape New Zealand's defence and it examines the diverse national interests which must be supported by our defence policy.

Isolationism makes less sense than ever for a country with trading and other interests which range across the globe. It reaffirms also New Zealand's long-standing reliance on collective security. Many of our major international interests are shared with others and can only be advanced in cooperation with them. We have seen a recent instance in the Gulf. Playing our proper part in alliances and other collective endeavours does not subordinate New Zealand's interests; it is often the best means of promoting them.

This policy statement is the start, not the end, of the process of reviewing defence. It provides the broad framework and guidance under which detailed planning will be carried out over the next few years. Further studies and recommendations to the Government will be made over the next six months. Beyond that, it will provide a foundation for the longer-term shaping of our defence structure to meet our essential needs.



Rt. Hon. J. B. BOLGER,
Prime Minister

SUMMARY

INTRODUCTION

In the four years since the 1987 Defence White Paper a new Government has taken office, committed to rebuilding defence cooperation with traditional allies. There have been extensive changes in the international strategic environment. These changes make prudent a re-evaluation of New Zealand's defence strategy and capabilities.

The Defence Assessment is the start, not the finish, of the review process. It sets out a defence policy and proposes methods for translating it into detailed decisions on force structure.

CHAPTER ONE: NEW ZEALAND'S STRATEGIC SITUATION

New Zealand's defence policy and its force structure are shaped by its strategic situation. There are many constants in the strategic environment: New Zealand's remoteness from land powers; our maritime environment and the nature of our immediate neighbourhood. Other factors, such as our demography and economic base, while not constant, change relatively slowly.

The implications arising from changes in the ambitions and capabilities of other countries, both in the Asia Pacific region and beyond, are less predictable but need also to be taken into account, as do the outlook of New Zealanders themselves, the attitudes which flow from our culture and historical experience and from decisions which shape our foreign policy. Our alliance and associations with other countries, like ANZUS or the South Pacific Forum are part of this framework. So is the non-nuclear policy.

This policy has imposed costs and constraints. It has affected long standing relationships with our security partners: Australia, Britain, Canada and above all the United States. A progressive improvement in our alliance relationships can be looked for, but under present policies full cooperation with our closest friends must be accepted as unattainable.

There are no direct threats to our security. Within the South Pacific, security problems will continue to be internal rather than externally inspired. Defence planning is therefore less concerned with New Zealand's security needs, than with New Zealand's security interests. Our location means that these interests are often at a considerable distance from our shores. Defence planning must have a wide focus.

Defence is a partner of foreign policy. The aim of a professional defence force is not principally to fight wars, but to make an effective contribution to achieving New Zealand's external objectives.

In shaping this contribution the two most important requirements are flexibility and consistency. The range of our security interests and the nature and duration of modern conflict means that our defence forces must be designed for readiness and for flexibility if governments are to

have a sensible range of options. Because New Zealand is a small country with limited fiscal resources, we must set prudent goals and pursue them consistently.

The aim, in New Zealand's present circumstances, is to maintain a credible minimum defence force: the minimum needed to meet our essential security interests and to reassure our neighbours and allies that we have the resolve and capability to do so, and the minimum that can be fiscally sustained given our current economic circumstances.

CHAPTER TWO: NEW ZEALAND'S SECURITY INTERESTS

New Zealand's defence policy and force structure is also shaped by the interests we wish to promote, including those so vital that we may resort to military action to protect them.

New Zealand has the prime responsibility for tasks such as the protection of our sovereignty and territory, the welfare of our people and our economic livelihood. There are also broader security concerns which we share with other countries. These stem from a shared political outlook, an interest in maintaining a favourable strategic environment, common economic interests and obligations of international citizenship.

Other national security interests which have important implications for defence policy include constitutional obligations and regional ties with South Pacific countries, and common interests given treaty status such as ANZUS or the Five Power Defence Arrangements. Shared values such as democratic freedoms and respect for parliamentary institutions, the rule of law and the orderly conduct of world affairs also influence defence policy.

The Pursuit of Shared Interests

A defence policy which protects New Zealand's widely dispersed interests must seek the goodwill and cooperation of others. We are committed to collective security. The largest coalition is the United Nations but other, smaller groupings, may come together from time to time.

Supporting mutual interests within a coalition means being able to bring a demonstrably sufficient capability which helps to meet the joint goals. To be credible we must demonstrate our determination to maintain professional and well equipped forces able to meet defined goals. Our defence forces must also be interoperable with those of forces with which we would normally expect to cooperate in times of crisis. Likewise, interoperability among our three services is important given the need for greater self reliance in our own region.

Flexibility

Our defence policy should provide governments with a reasonable range of options against an uncertain future. This means providing general purpose capabilities and force structures with a long reach and a broad base of training and equipment. Equipment will be favoured that supports more than one role.

Continuity of Commitment

Force development is a long term business and requires an investment in capital equipment, the training of our military professionals; exercising and developing the essentials of interoperability with allies. This means the defence force budget should be fiscally sustainable over the long term, enabling major items of equipment to be procured in the most sensible manner. Fiscal stability is as important as fiscal sustainability.

National Command and Professionalism

A substantial investment in training and in the skills of command is essential to avoid costly mistakes. A sound, well-ordered profession is the bedrock on which future military advice to the Government is built.

CHAPTER THREE: A DEFENCE STRATEGY FOR NEW ZEALAND

From New Zealand's strategic situation and interests the following Defence Policy Goals are defined:

- To maintain the sovereignty of New Zealand.
- To preserve the security of New Zealand and its essential interests.
- To maintain the sovereignty and security of the Cook Islands, Niue and Tokelau.
- To contribute to the security of the South Pacific states with which New Zealand shares historical or other particular interests and to contribute generally to the security and stability of the South Pacific region.
- To develop further the existing defence cooperation with Australia, including combined planning, operations, logistics and the industrial base.
- To maintain and develop defence cooperation with ASEAN countries, and to preserve the partnership obligations of the Five Power Defence Arrangements.
- To work to re-establish an effective defence relationship with New Zealand's other traditional partners, especially the United States and the United Kingdom.
- To support the United Nations by contributing forces for peacekeeping or peacemaking duties.
- To contribute forces to other collective endeavours where New Zealand's national interests are involved.
- To ensure that the general purpose forces implied by these goals are capable of supporting non-military interests.

A number of possible defence strategies are measured against these goals. The one which best meets them is self-reliance in partnership: to protect the sovereignty and advance the well-being of New Zealand by

maintaining a level of armed forces sufficient to deal with small contingencies affecting New Zealand and its region, and capable of contributing to collective efforts where our wider interests are involved.

Of all our strategic options, this best acknowledges the breadth of our defence concerns. It is the only one which links the need for self reliance in handling immediate national tasks with broader interests shared in partnership with Australia, the South Pacific and countries beyond, without attempting to predict the likelihood of any particular contingency.

CHAPTER FOUR: THE CAPABILITIES NEEDED FOR NEW ZEALAND'S DEFENCE

Any New Zealand defence force must be capable of adequately performing eight major tasks. They are:

i To protect the territorial integrity and sovereignty of New Zealand, and those countries for which it has constitutional responsibilities.

ii To provide defence advice

iii To provide intelligence

iv To maintain a force in reserve

v To provide ancillary services

vi To contribute to regional security

vii To participate in defence alliances

viii To contribute to collective security.

The minimum capabilities required for each task are examined. They give the rough outline of an optimal force structure.

CHAPTER FIVE: THE PRESENT FORCE STRUCTURE

The suitability of the existing force structure is assessed by measuring it against the eight defence tasks. The essential force elements, and the best buys, will be those which best contribute to one or more of the eight tasks at a level which is fiscally sustainable. Most of the force structure, though ageing, fits the constants of the New Zealand situation. Those elements which do not are set down for more detailed scrutiny.

CHAPTER SIX: PLANNING AND FUNDING

The eight tasks, derived from the earlier strategic analysis, define what needs to be done to meet New Zealand's defence goals. Financial management analysis produces the same eight, expressed as the broad output classes the Government needs to buy to get the national security outcome it wants. The strategic tasks are also budget outputs. They should become the organising principle for future defence budgets.

If this approach is followed, the Government will be able to cost what the NZDF does as distinct from what it is. Over time this will exert a significant influence on the shape of the defence force. The present descriptive set of outputs tends to freeze the existing force structure.

Concentrating on tasks as outputs means that a new item of defence equipment will be examined for the contributions it can make rather than being seen as a "replacement" for what is being phased out.

Planning

For the best allocation of resources, annual, three, five and twenty year plans need to be maintained. The annual corporate plan and the three year plan will include balance sheets, and operating and cashflow statements. The indicative five and twenty year plans reflect the need to think ahead in the long term business of defence investment.

A careful planning process is needed to ensure that funds and the required capabilities are available when called for. The planning process outlined in this Assessment should give the NZDF and the Government greater confidence. Both will be able to track expense against the desired outputs or capabilities. The NZDF can seek adjustments in good time if the two tracks begin to diverge, while the Government should feel sure enough of the direction to confirm its commitment for the longer term.

Funding

Financial management reform in the public sector has opened the way for better management of the defence budget. But getting the most out of it will require some working modifications.

Defence as a "business" has some distinctive characteristics. The logic of the new accounting and appropriation methods needs to recognise these characteristics. There are both problems and opportunities:

The Problems

Depreciation. In theory the amount of depreciation funded annually should provide over time for the replacement of the NZDF's assets. In practice the result is likely to be a permanent shortfall, due to the effects of inflation and the demands of technology.

Backlog Depreciation. Most of the NZDF's major assets are old and nearing the end of their useful lives. Funding their replacement from depreciation over the short life left to them will not be practicable. Periodic capital injections will be needed from the Government.

Proceeds of Sales. At present there is a major disincentive to rationalising defence assets and maximising the return on them. The proceeds of the sale of any surplus assets are in part retained by the Crown and deducted from the defence budget. It is an important "mismatch" with the new financial logic.

Cashflow Lumpiness. Major new equipment or replacements can place a severe strain on cash flow. Leasing non core and sometimes core assets is a financial method used in the private sector to even cash flow commitments. If they are to be properly accountable for resource management, defence managers should be free to contemplate this type of

financing. Some assets or facilities which are needed infrequently or only in emergencies may be borrowed, hired or leased from the private sector. Vendor or private sector financing of large purchases can also smooth out annual cash flows while the equipment is already at work.

The Opportunities

Review of Non Core Activities. Many non core assets—those which are not required for combat or combat support—may not need to be owned by the NZDF or even held by it. Over time significant savings may be found through investigating the possibilities for civilianisation, privatisation or contracting out of work at present done within the NZDF. The calculations of costs and benefits can only be done by those within Defence who can weigh savings against security and deployability. But a detailed incremental search should over time produce significant savings for redirection into core defence investment.

Shared Activities. It makes sense to explore further the possibilities for some pooling of equipment or training and support facilities with those countries with which we share defence interests, particularly Australia.

Meeting the Fiscal Challenge. In real terms the defence vote has been reduced by about 20% below the level set in 1986/87. New Zealand has been taking its peace dividend ahead of everyone else.

The reductions have been absorbed across the defence organisation. Further reductions mean intensifying the search for real savings and efficiencies. They will require innovative management practices, setting out to maximise output efficiency by finding new ways of delivery.

Only time will tell whether maximising savings will be enough. If not, then capabilities must be reviewed and alternatives presented to Cabinet.

CHAPTER SEVEN: THE WAY AHEAD

Reviewing defence should be a continuous task. It means constantly adjusting the trajectory over the 20 years of the planning cycle to ensure that investment is matched to the desired capabilities of the credible minimum force.

The basic principle in this Assessment is that the process of continuous review is best done from within. Its recommendations, if accepted, should open the way for rolling scrutiny of costs by defence managers. But the prerequisite for starting the process is the removal of some important disincentives which have effectively if unintentionally held back rationalisation. The first and most important task, therefore, is the need for an urgent review of Government policy on incentives. This should pave the way for savings and greater efficiencies.

The analysis of the present force structure identifies some possible "mismatches" which should be examined in greater detail over the next few months to determine whether the present level of capability is the right one for New Zealand's credible minimum force. Completion of these studies is in effect the third part of the Defence Assessment.

List of Reviews

The recommended reviews and the times proposed for their completion are :

1 Incentives for rationalisation of assets (30 June)
2 Offensive air support (31 August)
3 Land force reserves (30 September)
4 Maritime surveillance and anti-submarine warfare (31 October)
5 Air and sea transport (31 October).

Several other issues which should be examined as part of defence's work programme over the coming year include:

1 Mine countermeasures
2 Naval control and protection of shipping and the role of the RNZNVR
3 Naval, utility and light helicopters
4 Self defence for naval and land forces, of a minimum standard necessary to contribute to combined operations
5 Level of operational stocks.

Each review will be carried out jointly by a team from the Ministry of Defence and the NZDF, consulting with other departments and agencies.

Conclusion

New Zealand has a defence force reasonably matched to its strategic position and to the range of external interests that it is intended to support. Some mismatches mean that it is not the credible minimum force recommended by this Assessment. The recommendations made here aim to start a process of moving closer to that goal. They provide a framework for examining the mismatches and a discipline by which to judge future defence investment.

INTRODUCTION

The Defence Act 1990 requires the Secretary of Defence in consultation with the Chief of Defence Force to submit to the Minister from time to time a Defence Assessment, including a review of different options for achieving the Government's policy goals. This Defence Assessment has been prepared jointly by the Ministry of Defence and the New Zealand Defence Force and approved by the Defence Policy Board.

Four years have passed since the last defence review, the 1987 Defence White Paper. A new Government has taken office since then. In addition to its strategic and political concerns in the South Pacific, the Government is committed to rebuilding defence cooperation with traditional allies and working towards mutually-agreed security arrangements.

Since 1987 there have also been far-reaching changes in the regional and international strategic scene:

- in the South Pacific internal security issues have emerged as a major concern, as evidenced by the coups in Fiji and the troubles in Bougainville and in New Caledonia;
- the ending of Cold War divisions in Europe has redrawn the political map, with large consequences for Germany, the European Community, the Atlantic Alliance and for the future of the Soviet Union itself;
- the effects will take longer to be worked out in the Asia/Pacific region but over time they will be almost as important with a Soviet and American pullback and the emergence of other major powers;
- the new Soviet-American relationship has enabled significant progress to be made on arms control and has eased tensions in several regional trouble spots. It has also strengthened the prospect that the United Nations may now be better equipped to approach the central duty of containing major threats to international peace and security;
- at the same time, Iraq's invasion of Kuwait, its defiance of the United Nations and the conflict triggered by this is a reminder of the extent to which New Zealand's economic and political interests are engaged far beyond our shores and the importance to us of collective efforts to maintain peace.

These changes make prudent a re-evaluation of New Zealand's defence strategy and capabilities. Changes in financial management and tight fiscal restraint also require a review of defence funding to ensure that the capabilities desired by the government are funded in the most economical way.

The first part of this Defence Assessment is a review of the fundamentals of our defence policy. It looks at New Zealand's strategic situation, the permanent features and the variables, and draws some broad conclusions from these. The national interests that defence supports are

then considered and our defence goals defined. A number of alternative strategies are measured against these goals and a preferred strategy, which best meets the goals, is recommended.

The second part of the Defence Assessment starts the process of translating this strategy into an appropriate force structure. Eight military tasks are set out. The existing force is then evaluated against these tasks and the mismatches—the overlaps and the underlaps in the elements of the present force structure—are identified for more detailed review and recommendations to the Government on the future of each.

Funding implications are then examined, to identify any impediments to sensible financial management, including the level of capital funding, how best to reallocate funds within the defence vote and incentives to defence managers to control costs on a continuing basis. A set of comprehensive forward plans is recommended as a means of charting the flow of operating and capital costs over the long period required by defence planning.

The last chapter looks at the way ahead, setting out the elements of the present force structure which need a longer and more detailed review. Reporting times for the results of these studies are suggested over the next six months.

As this implies, the Defence Assessment is the start and not the finish of the task of reviewing our force structure. It does not consider in detail the appropriateness of the recent separation of the Ministry and the Defence Force—that is another task. It sets out a defence philosophy and proposes a process for carrying it into detailed decisions on force structure.

CHAPTER ONE

NEW ZEALAND'S STRATEGIC SITUATION

New Zealand's defence policy and its force structure are shaped naturally by its strategic situation. The most important part of this is enduring, the constants from which planners must always start as they look outwards from New Zealand. Some of these are permanent geographical features, like our remoteness from land powers, our maritime environment, the nature and shape of the South Pacific and our neighbour Australia. Others can change only slowly over time, like our demography and economic base.

Part, however, is less predictable: the changes that may take place in the ambitions and capabilities of other countries, both in the Asia/Pacific region and beyond. Trying to assess these is an uncertain business, but the strategic variables have to be looked at as well as the strategic constants if sensible aims are to be formulated. The end of the Cold War, the consequent readjustment in the American defence stance, the interests of the other major powers in the Asia/Pacific region and the effects of East Asia's rapid economic growth are likely if anything to increase the importance of strategic stability in the region and of our need to make an appropriate contribution.

Finally, part of our strategic situation is of our own making. It is the outlook of New Zealanders themselves, the attitudes which flow from our cultural and historical experience and from the decisions which shape our foreign policy. The alliances and associations we choose to make with other countries, like ANZUS with Australia and the United States or the South Pacific Forum, are part of the framework. So also is the non-nuclear policy and legislation.

For a small state New Zealand has unusual features. It is a largely English-speaking, developed consumer society in a region which is not predominantly any of these things. It is uniquely isolated by sea and has to maintain its major interests, including trade, over great distances. Those with land borders or near neighbours find their strategic priorities close to home and can concentrate their defence planning on readily-discernible needs. New Zealand (like Australia) cannot, which perhaps explains why defence is so constantly reviewed and argued over in those countries.

New Zealand defence policy has to cover both an extensive home environment where the threat is low but the tasks demanding and an even more diffuse need to support our economic and other interests at great distances. This is a complication for strategic planning. The forces required to maintain the appropriate presence and capability in the South Pacific may not necessarily coincide with those which would best bolster our presence further afield. A balance has to be struck between participation in wider collective security and looking after regional and other concerns nearer home, even though there will always be argument about where to strike it. The point of balance will shift from time to time

as circumstances change, but there will always be a need to balance and reconcile these two requirements.

Defence planning is a long-term undertaking. Equipment being bought now may be operational into the second quarter of the 21st century. Given the impossibility of predicting what the world and our region will be like then, a highly flexible force structure is clearly desirable. But total flexibility would be total shapelessness. Some assumptions have to be made about New Zealand's future situation and interests, around which a flexible defence force can be built. If history suggests the limited value of trying to predict the future, the more prudent approach is to base our planning as far as is sensible on the enduring features of the strategic landscape.

CONSTANTS IN THE STRATEGIC SITUATION

Character of the International System

New Zealand is a sovereign and independent nation existing in an international system made up of similar nation states. The system is modified by the existence of international organisations such as the United Nations family. It has also been affected by the growth of a world economy and the multinational companies which reflect it, and by many regional associations such as the European Community and ASEAN. There are increasing political, economic and indeed military constraints on the freedom of nations to pursue their own interests. The United Nations has had encouraging but mixed success in promoting the principle of collective security. But neither it nor any other organisation has been able to enforce a reliable peace among states or to guarantee protection to weaker states.

Until it can, military force remains for the foreseeable future the final arbiter of relations among states. Almost no country has foregone the possession of military power or the right to its possible use in defence of its interests. For New Zealand this means that we cannot assume that states, within the Asia/Pacific region or outside it, will not at some time in the future use their military capabilities to pursue goals which are inimical to our security interests. Our external policies—of which defence is a part—must be directed at discouraging and deterring such behaviour. Such policies will in turn contribute to regional stability and collective international security.

Remoteness

New Zealand is small, isolated and surrounded by great tracts of empty ocean. The nearest landmass is two thousand kilometres away. Our geographical remoteness, without land borders or close neighbours, confers a major defence advantage. We have the world's largest moat.

Our country is distant from the major sources of international conflict. It has little strategic value other than its position on Australia's eastern flank—though the Tasman Sea could become important if for any

reason Asia's other two routes to the Middle East were blocked—and comparatively modest natural resources.

It is by no means impossible to threaten New Zealand. It happened fifty years ago and if trends in weapons development continue it may become less difficult in the future. However, the waters which surround New Zealand constitute a formidable sea-air gap which any aggressor would have to be able to cross in order to pose a direct threat to our security. Few nations at present possess the very considerable logistic and combat capabilities required to mount such a threat, and none has shown any interest in doing so.

The remoteness which insulates us from direct threats also complicates defence planning. New Zealand is constitutionally responsible, not only for its own defence, but also for that of the Cook Islands, Niue and Tokelau. Apart from Australia, all of our major markets are in the Northern Hemisphere. So are many of the cultural and historical roots which influence our attitudes and reactions. Our lines of supply and communication are among the longest in the world. We have no land borders or close neighbours through which threats to our military security could reasonably come. This means that our planning cannot be limited to a defined area. Even more than is the case with Australia, there is an unusually wide geographic spread to our defence interests.

Maritime Environment

New Zealand is a maritime nation. Its Exclusive Economic Zone, covering just over three million square kilometres, is one of the world's largest. After Australia and the Antarctic, the nearest continent is South America. East Asia is roughly ten thousand kilometres away. Southern Africa and North America lie just beyond that radius. Our hemisphere is largely water.

Distance over sea will therefore always be a major factor in our defence planning. Gathering information on our region, which could provide timely warning of threats or activities inimical to New Zealand's interests, entails surveillance of a vast area in a maritime setting. Deployment and operations, whether for combat or disaster relief, will always be at a considerable distance from New Zealand. Being a maritime nation dictates the need for some maritime capability. Being in New Zealand's position means that such a capability will have to operate at long ranges and, for ships, in some of the most severe sea-states in the world.

The Implications of Demography

New Zealand has a small population relative to its territorial size and the breadth of its interests. Despite fluctuations in immigration and emigration over the past ten years, a low birth rate and an aging population do not suggest that this is likely to change significantly.

The disproportion has fundamentally influenced the national outlook. Successive governments have concluded that New Zealand and its interests cannot be defended solely by our own efforts. Our instinct,

whether in diplomatic, economic or military challenges, has been to join with others, to seek a collaborative response. This has been reflected in our long-standing support for collective security and for alliance relationships. It has encouraged us to pursue indirect strategies, defending our interests wherever possible in common with others who share them.

A small population has also, naturally, shaped the structure and use of the defence force. Our forces are volunteer and they are small. Higher educational requirements and the qualities needed for modern military service increase the competition with other sectors for recruits and raise the costs of retaining skills. General-purpose units, emphasising individual initiative, are necessarily favoured over larger or more specialised formations. And because New Zealand is a small country, it is aware of even low casualties.

Finally, our defence policy, like other government policies, has to be supported by an economic base which is also small and which has not grown in recent years. Whatever the fluctuations in the economy, the level of defence spending in New Zealand has always been a balance struck politically between what is desirable and what can be afforded. On the one hand, New Zealand has substantial external interests which need to be supported by defence among other policies. On the other, defence policies which are not fiscally sustainable are unlikely to be seen as worthwhile by the public, by our friends and by the others whom we wish to influence.

Australia

The defence relationship between our two countries is fixed by our geographical proximity. New Zealand is Australia's eastern flank, covering its main trade and communications routes across the Pacific. Australia is our western flank, covering our trading routes to Japan, South East Asia, the Middle East and Europe. The natural protection of geography has led both countries to recognise that the security of either would be at risk if the other were threatened. It has always been assumed that in such circumstances both nations would act in concert. This understanding has been given formal expression in the Canberra Pact of 1944 and in the ANZUS Treaty but the realities of location make it a constant in the New Zealand - Australia relationship.

A long history of shared military experience has grown up around this relationship. New Zealand and Australian forces have fought together in almost all wars in which both nations have been involved. On each occasion, ANZAC forces have operated as part of larger allied formations and have depended heavily on command and logistic arrangements provided by others. Australia has armed forces of comparable proficiency, similar training doctrines and operating procedures. Defence cooperation, shared training and exchange linkages over the past eighty years have forged common professional attitudes and knowledge. In more recent years defence cooperation has been widened by combined exercises, the joint purchasing of military equipment and more regular

consultative mechanisms. All these are essential factors for successful joint and integrated operations.

In the last decade both countries have adopted defence policies emphasising a greater degree of self-reliance and more attention to regional security needs. In Australia's case this has led to a concentration on the defence of its northern arc and the sea and air approaches to it, and a force structure which has increasingly been shaped by it. In New Zealand an effort has been made to develop a greater capability for independent operations in the South Pacific. In both countries this has been modified by a growing awareness of the need to support foreign policy goals which lie beyond our immediate approaches. There is a commonality of interest between New Zealand and Australia, reflected in their approaches to collective security. That does not mean there is a complete strategic identity. Our remoteness and maritime environment are only partly reflected in the positioning of Australia's huge continent. Australia has Indian Ocean as well as Pacific Ocean concerns. There is a natural logic to a close defence relationship. The logic can be carried further in more procurement and training, and in the shared operation of some equipment. But the differences in our situations mean some differences in our defence goals. Neither country wishes the close and cooperative relationship to decide the totality of its force structure.

The South Pacific

The South Pacific is a vast maritime region containing isolated groupings of small islands with small populations and resources. It stretches from Papua New Guinea east to French Polynesia and from the Micronesian states south to the waters of the Antarctic. Under the Antarctic Treaty that continent is demilitarised. That and the climate make any threat to New Zealand unlikely. Our oceanic interests lie mainly in the tropical north. Even so, the area sometimes referred to (less than tactfully) as New Zealand's back yard is immense. A radius of ten thousand kilometres from Wellington barely touches any large landmasses and takes in much of the Pacific. But it covers half of the earth's surface, far too large for any but the most modest projection of New Zealand influence even if we had the resources and interests that warranted this.

New Zealand's major interest in the region centres on the South Pacific states with which it has significant cultural, ethnic or historical ties, and in some cases constitutional obligations. Since decolonisation, in which New Zealand played a pioneer role, strong cooperative, trade and family links have grown up between New Zealand and many countries in the region. These are reflected in various institutions and agreements, such as the South Pacific Forum, the Forum Fisheries Agency, the University of the South Pacific, the shipping line, the free trade agreement (SPARTECA) and the South Pacific Nuclear Free Zone Treaty.

The relative proximity of the island states to New Zealand means that their security and stability is of particular concern to us. The island countries are unlikely to pose any direct threat to New Zealand's security.

They lie at considerable distances from one another, are of little strategic interest to larger powers, have few resources and limited infrastructures of airports, harbours and resupply stocks. There are few instabilities which outside powers could exploit. New Zealand's interests are, however, affected by the continuing ability of Pacific Island governments to provide a stable environment for economic growth and social development. Their success, or lack of it, will shape the region's political stability, migration patterns and the calls on New Zealand's resources.

For these reasons, and because of the historical and ethnic links, the South Pacific is a focus for New Zealand's development assistance programmes and diplomatic network. Although most island states view their security primarily in economic terms, they have looked to New Zealand and Australian forces to help meet their security needs. It is tacitly understood that the defence capabilities of the two countries help deter outside interference or adventurism. Given the importance of fish as one of the region's few resources, New Zealand has helped provide the surveillance needed to police the extensive economic zones. Its forces have been called upon routinely to provide relief and and reconstruction assistance in the wake of the hurricanes and other natural disasters. But, as the record of our deployments overseas shows, major threats to New Zealand's security interests are more likely to arise beyond the South Pacific.

South East Asia

The countries and archipelagic islands of South East Asia form the only land bridge by which Australia and ultimately New Zealand might be threatened, as they were in 1942. They also straddle the vital oil and trade routes between the huge economies of North Asia and the resources and markets of the Middle East and Europe. The economies of ASEAN are a major and growing market for us.

Historically, the ethnic, cultural, and political complexity of Southeast Asia together with the competing interests of outside powers in this resource-rich and strategic region have resulted in frequent conflicts.

Because of this, New Zealand made a large diplomatic and defence investment in the region during the fifties and sixties, in its membership of SEATO and in the commitment of forces to Singapore, Malaysia and Vietnam. In 1974 it was one of the first countries to enter into a consultative relationship with ASEAN which though not a security organisation has made a major contribution to regional self-confidence and stability. This relationship, our membership of the Five Power Defence Arrangements with Singapore and Malaysia, and our arrangements for similar cooperation with Indonesia and Thailand reflect not just our past investment but the region's continuing importance to us.

International Linkages

Despite or perhaps because of our geographical remoteness New Zealand pursues a large number of diverse and distant interests. We

have traditionally aimed to be good international citizens and have consciously taken the larger view. Perhaps this was an inheritance of empire but it has been reinforced by the breadth and distance of our economic linkages. Apart from Australia, our main trading partners are in the Northern Hemisphere. The European Community, North America and Japan each take roughly a fifth of our trade. Without this outward direction of our effort we would be unrecognisably different: some 21% of our annual income (as measured by GDP) comes from trade in merchandise. Isolationism, under whatever guise, makes little sense for any country in today's interwoven world economy. It has never made any sense for New Zealand.

New Zealand's trade is almost totally sea-borne—99% by volume and 90% by value. The ships carrying it must cover great distances: 9000 kilometres to Japan, 11,000 to the west coast of the United States and 18,000 to the United Kingdom. Even trading with Australia, our closest neighbour, means covering a distance greater than that between the two farthest-apart members of the European Community. The tyranny of distance will always rule our economy and it will always mould our defence planning.

THE STRATEGIC VARIABLES

Not everything on our strategic horizon is a constant. Geography helps protect our homeland but in a world made smaller by faster transport and communications and longer strategic reach, distant events impinge on our interests more quickly than in the past. The relationship among states is dynamic and ever-changing as relative economic performance, political will, military strength and national mood combine in a diplomatic floating exchange rate, altering the balance of power over time. Sometimes there is a dramatic devaluation, as with the sudden exposure of the Soviet Union's long political and economic decline. We are at present in a time of greater fluidity in international relationships. The implications of the revolution in Soviet policy in 1989, to take the first but not the only cause, will unfold over the rest of this decade and beyond.

Attempting to chart a coastline not yet sighted is dangerous. There are, however, some general points about the likely directions of change which are worth keeping in mind in planning New Zealand's defence policy.

Changes in East-West Relationships

The unravelling of the Cold War, or more precisely the decision by the Soviet Union to concentrate on internal reform, has called into question the security architecture of the past forty years. The confrontation of the superpowers lasted so long that hardly anyone can remember anything else. So the first reaction is caution. Neither the United States nor other NATO members will wish to end the Atlantic Alliance or be in a hurry to alter security policies which have maintained peace in Europe for four decades and have contributed to stability in other regions. Few Asian

states will want to see dramatic changes in the global or regional strategic order which has served their interests so well through the second half of this century.

Although there has been much discussion of the change from a bipolar to a multipolar world, in an important sense there is now only one superpower, if by that is meant a power having the economic and military means, the organisational skills and the political will to project its power globally. But America if powerful is also vulnerable. Though it will be the world's largest economy and most powerful nation well into the next century, it is increasingly reliant on other states to sustain elements of its power. Deficit weaknesses and the huge costs involved encouraged it to look for foreign financing in the Gulf War. These in turn have led to some political grumbling, about burden-sharing by Europe and Japan and about the demands placed on America by its international role. After the long struggle with Communism it would be natural for Americans to turn inwards a little and to spend more time on domestic problems. The grumblings may be no more than that, but they are a small warning flag to those who have come to take America's current level of involvement for granted.

The Soviet Union has lost its way and is deeply troubled. A radical reordering of its political and economic structures is needed, perhaps at the cost of the Soviet empire as it exists today. In the meantime, however, its strategic capabilities and the sheer size of its military establishment far outweigh those of any state or alliance in Europe. Even if the Soviet Union were to break up, its core—Russia—would be the largest country in the world, rich in resources and a nuclear superpower.

For some time to come the strategic relationship between these two powers will be an important feature of the international order. Beyond that it is still too early to predict the military consequences of the end of the Cold War. The momentum of weapons procurement and deep-seated caution on issues of national security will ensure that existing strategic doctrines and force structures will persist for some time. Fundamental change will come slowly, and may lag behind political and social change. Nuclear weapons states will consider their arsenals to be essential for deterrence well into the next century, but increasingly the proliferation of advanced conventional if not nuclear weapons will endow small states with disproportionate military influence.

Regional Powers

As a global war becomes less likely than ever, the possibility of regional conflicts may have increased. Lowering the risk of superpower involvement also means lowering the stakes, making wars by middle powers more thinkable. There will be greater uncertainties about national alignments and temptations for those previously constrained by their links to a superpower. There will be more choices, more calculations to weigh; more latitude for action and opportunities; and thus scope for new tensions and the revival of old enmities. Some of the hot-spots kept doused by superpower restraint may be freer to flare up

again, in the Middle East, South Asia and elsewhere. Alliance relationships could become more fluid, with temporary coalitions (of the sort arrayed against Iraq) being formed to deal with a specific problem. Such shifting coalitions will favour the ability to provide a timely response with standing forces.

There will be a continued diffusion of power in the world, and the arms that support it. While the major powers will continue to dominate, gradual adjustments through the working of technological forces will tend to dilute their influence. Opportunities will emerge for other states to establish local hegemonies. Third world nations will have increasing access to advanced military technology and weaponry which will gradually diminish control by the traditional powers. With this will come pressures from developing countries for reordering international political, economic and military agendas.

Weapons Proliferation and Arms Control

The spread of modern weaponry, including weapons of mass destruction, is a serious threat to international stability and can affect New Zealand's security. The basic technology needed for the development of chemical, biological and even nuclear weapons, as well as ballistic missile capabilities, is becoming available to an increasing number of countries. Efforts to halt such weapons proliferation have been only partially successful, and there is an evident need to maintain and strengthen existing arms control arrangements. The Nuclear Weapons Non-Proliferation Treaty is perhaps the most successful multilateral arms control agreement, but despite the operation of a reasonably tight safeguards system, there are now at least six countries, beyond the five acknowledged nuclear weapons states, which are considered either to have nuclear weapons or to be developing them. More than a decade of negotiations has so far failed to produce agreement on a global chemical weapons convention. New Zealand has traditionally given strong support to international arms control measures, and we may hope that the disarmament process will be given further impetus by the aftermath of the Gulf war. There will also be greater cooperation among the industrialised countries, including New Zealand, on non proliferation controls such as the Missile Technology Control Regime and the Australian Group restrictions on the export of chemical weapons precursors.

Economic Interdependence

Economic power is becoming steadily more important in international affairs. For example, the need for foreign technology and support has reshaped Soviet foreign policy. Some see economic displacing military power as the main determinant of the global order. They see disputes in the GATT and threats of trade wars replacing the more familiar armed confrontations. Certainly economic strength (whether based on current account surpluses, growth, financial trading or technological advantage) will more than ever decide which states will wield political influence. But the difficulties Japan has found in formulating external policies which

reflect its economic strength suggest a caution. A necessary and less probable condition for economics to replace wars is a benign world largely free from military tensions. Unless the world is managed with a hitherto unprecedented degree of altruism, disputes of economic interest could easily lead to international strains and regional crises little different from the political and territorial disputes of the past.

The more likely effect will be a shift in the balance of the factors that make up strategic power, with economic influence becoming relatively more important and military solutions (particularly in the developed world) becoming more costly and less readily sought. In conditions of growing interdependence, nations will have to accept that the economic aims and performance of others may vitally affect their interests. In that sense economic power will become more influential in international relations, but military might will remain the ultimate measure of state power and as always military capacity will flow only from economic strength. As economic groupings like ASEAN and the European Community grow stronger a security dimension seems inevitable.

Change in the Asia/Pacific Region

Change in our region will come more slowly than in Europe. There are not the dramatic events of Eastern Europe to spur it on, nor has there been the pervading sense of military threat. East Asian and Pacific countries are therefore content to enjoy the immediate benefits from the warming in the international climate and to let the implications become clearer before adjusting their security framework.

The strategic situation is markedly different from Europe. There is no common dividing line and no continental armies targeted at one another. Instead there is a mosaic of bilateral fronts: American-Soviet; Sino-Soviet; Soviet-Japanese; North-South Korea; China—Vietnam; Indochina—ASEAN. Hence no comprehensive framework has developed for managing them, as was the case with NATO and the Warsaw Pact and the Helsinki accords.

In time, though, the pressures to reduce armaments will flow through, as Washington and Moscow reach agreement on START and as conventional arms levels are cut back in Europe. Some feel that a political mechanism or negotiating framework is needed to facilitate a comprehensive discussion of Asia's security problems. Canada, Australia and the Soviet Union have all offered proposals. Some such forum may evolve, though it will not be easy. New security arrangements will probably be worked out among the parties concerned and need not wait upon a regional forum.

Pressures from outside the region, including budgetary pressures in both the United States and Soviet Union, should bring about some adjustment of the military balances in the next few years. Both these countries will reduce their military presence in the Asia/Pacific region, although for each the other will remain of primary military concern. The Soviet Union will probably concentrate on deploying fewer, higher quality military assets close to the homeland. The United States will thin

out its land and naval forces in the Western Pacific. There is unlikely to be any marked change in strategy on either side, barring an upheaval in the Soviet Union; simply a slow build-down in military strength and a shift towards a more defensive posture.

The security framework established by the United States in the Western Pacific over the past forty years has been important to New Zealand. It has provided the shield behind which much of East Asia has become prosperous, and the balance of power established in this historically unstable area has reflected eastward into our own waters. It has been very much in New Zealand's interests that no other single power should dominate the region where the security interests of some of the world's most militarily powerful countries meet: the United States, Soviet Union, China, Japan, the Koreas, Vietnam and India.

Perceptions of a declining American security role, together with clear evidence that the Soviet Union will be preoccupied with internal problems, may encourage some of the larger regional states to experiment with more ambitious strategic agendas of their own. This may be one factor, though not necessarily the principal one, in the recent modernisation of military (especially maritime) forces in some ASEAN countries who view with a certain apprehension the growth or possible growth in the naval capabilities of Japan, China and, outside the region, India.

There is every reason to believe that the United States will manage any devolution of its security responsibilities in the Western Pacific in ways that avoid creating instability. American interests are closely bound up with those of many countries in the region and the American-Japanese security alliance will remain the keystone of its stability. But the balances that now favour Western interests collectively over national interests are finely adjusted. If tilted by an intense regional issue equilibrium could easily be threatened. Care will be required through the transition. The Americans will look to the Asia/Pacific states to do more to support the region's continued stability. They are unlikely to wish to spend a large part of their military resources in being the underwriter for states in the Pacific which can now look after much of their own security. The decline of American oversight, however minor it may turn out to be, will increase the level of uncertainty. There could be expectations of a somewhat greater contribution from Australia and New Zealand in shaping the new security framework.

THE NON-NUCLEAR POLICY

New Zealand has never permitted the acquisition, manufacture, storage, or use of nuclear weapons in this country. This policy was reaffirmed in 1968 when New Zealand signed the Nuclear Weapons Non-Proliferation Treaty. In 1987 the New Zealand Nuclear Free Zone, Disarmament and Arms Control Act brought visiting warships and military aircraft within this policy and prohibited the entry of nuclear-powered ships. The Act also implements the South Pacific Nuclear Free Zone Treaty signed at Rarotonga in 1985.

The legislation has had an important effect on New Zealand's defence policy, not by limiting its nuclear options, which did not ever exist, but by affecting the longstanding relationships which had existed with Australia, Britain, Canada and above all the United States. Washington suspended its security obligations under the ANZUS Treaty and distanced itself from New Zealand. Most exercises and training exchanges were terminated, as was the supply of most American intelligence. The Memorandum of Understanding on logistic support was allowed to expire.

These costs and constraints have to be taken into account in defence planning. The cut-off in American-sourced intelligence has reduced both the amount and the quality of information used in New Zealand's own assessments, though additional investment has been made to upgrade the collection and processing of our external intelligence. It has complicated intelligence exchanges with other allies, such as Australia, the United Kingdom and Canada and has imposed some additional costs on them also. It has increased the expense and diminished the effectiveness of maritime surveillance in our region.

The loss of exercising and training exchanges with United States forces has lowered the professional standards of our defence force. Australia, which has accepted further costs to arrange separate exercises with us, cannot fill the gap since it depends itself on American doctrine, technology and standards. As a result, the ability to operate with our traditional allies in a modern combat environment and interoperability on land, at sea and in the air is steadily degrading. Without access to the latest allied doctrine and tactics we are falling behind. New Zealand's opportunity to exchange political and strategic views with traditional partners has been diminished.

The cost of holding stocks and spare parts has been increased by the lapsing of the agreement with the United States on logistic support. Under this agreement the charges for research and development of defence equipment were waived and New Zealand had a fast-track in purchasing. When these advantages were lost a stockpiling programme was begun in 1986 to build up reserve stocks. The programme was costed at $330 million, or $22 million annually for fifteen years. About $60 million has been spent so far but financial constraints have caused the programme to be cut back. As a result New Zealand has neither an adequate level of reserve stocks nor the assurance of quick resupply.

In the view of our ANZUS partners full membership is not consistent with our anti-nuclear legislation. This effectively decouples New Zealand from the western alliance. Without full membership the defence force's ability to work with Australia, the United States and others will remain constrained. The difficulty is lessened if we define our defence interests as purely South Pacific ones, though even then the diminishing professionalism of our forces may encourage Forum countries to look more to Australia for their security assistance. But the problem is much greater if we prefer a national strategy which aims to support distant as well as

regional interests. A progressive or incremental improvement in our alliance relationships can reasonably be looked for, and some of these difficulties can be diminished. But under our present policies, and those which have been adopted by Australia and the US as a consequence, full cooperation with our closest friends must be accepted as unattainable.

BROAD CONCLUSIONS

Geography has ensured that New Zealand's strategic situation is highly favourable. Most other countries would gladly change places with us. If security is defined as the freedom of New Zealanders to decide their own interests, unconstrained by the threat or use of force, there are no direct threats to our security. Such threats, while by no means impossible, would have to be mounted over great distances and would present any aggressor with formidable logistic problems. Very few states possess such capabilities at present and the long lead times to prepare an attack would be detectable well in advance.

South Pacific states could provide stepping-stones from which to threaten New Zealand (or Australia). But their facilities are modest and the remaining distances are still great. These states have few resources which in themselves would attract a potential aggressor. Security problems in the independent South Pacific are more likely to be internal than the result of action by distant, larger states.

These geographical facts mean that New Zealand's defence policy has a wide focus. Defence of the homeland, a prime responsibility of any sovereign government, has not had to be our major concern for almost fifty years. It has not been the determinant of the structure and main tasks of our defence force. Our defence has been indirect, pursued through external policies and in company with other nations.

Defence planning has therefore been less concerned with New Zealand's security *needs*—threats which are at present remote in both time and place—than with New Zealand's security *interests*. Our location means that these interests are often at a considerable distance from our shores. They are both broad and general, more diffuse and therefore more difficult to grasp than direct threats. Yet a major disruption in the Pacific would threaten the fabric of New Zealand life as surely as any direct threat. We are a western nation, sharing a western outlook and interests; we are part of Oceania with which we have historical and ethnic ties; the lines to most of our economic partners are long, giving us an interest in the stability of the regions through which they pass; as global citizens and traders, international peace and stability must be our concern.

These security interests are not only increasingly diverse, but they are developing within an international setting that is changing rapidly. The range of factors that New Zealand has to take into account in formulating its defence policies will become more complicated in future. Greater adaptability in respect of both security and political alignments will be required to cope with shifting coalitions and unusual situations in a

much more interdependent world. For small and medium-sized states like New Zealand and Australia an ability to react quickly to conflict will be an important factor in regional security.

The implications for long-term defence planning are particularly difficult to determine. We can make sensible judgements about local strategic conditions that should remain valid over the next decade or more. But the impact of political and social influences elsewhere, and the way in which they might reflect back on New Zealand's broader security interests, are more uncertain. There are important adjustments underway in the defence capabilities and doctrines of the major powers. The next decade will be a period of significant transition in strategic terms. Our defence response will need careful weighing of the requirements in respect of the stable conditions in our local environment and the more volatile strategic possibilities further afield.

New Zealand's security interests are inseparable from our foreign policy. Defence is one of the instruments, along with diplomacy, trade, aid and others, by which New Zealand seeks to influence the external world in ways favourable to our interests. The maintenance of a professional defence force signals that New Zealand can within the force's capabilities support its friends and deter actions harmful to its interests. It provides the Government with more options in pursuing its external objectives; helps secure strategic stability in the South Pacific and in the Asia/Pacific region; and enables New Zealand to join in wider collective action where this is desired. The aim of defence is not solely or even principally to fight wars—that is a last resort. It is to make an effective contribution to achieving New Zealand's external objectives.

There are two important requirements which shape that contribution: flexibility of response and consistency of approach. They are the keys to an economical and effective defence policy.

The range of our security interests and the nature and duration of modern conflict make flexibility of response essential. Unlike many countries, there is no specific threat around which to design our forces. Although our geostrategic position imposes some permanent requirements, such as the need to operate at long ranges over water, our foreign policy concerns are as varied and as changeable as the countries where we have significant interests. We have deployed defence forces in support of our foreign policy a number of times since the Second World War. In no case could the decision to deploy have been foreseen much more than a year beforehand. In most cases the notice was considerably shorter. Uncertainty is thus a constant in our planning. Our defence forces must be designed for readiness and for flexibility if governments are to have a sensible range of options.

This implies a second guiding principle: consistency of approach. New Zealand is a small country with very limited fiscal resources. Unlike those countries which face more direct threats, we have never spent much on defence in peacetime and our current economic difficulties mean that even that modest share has declined from 2.1% of GDP in

1988/89 to 1.8% in 1990/91. A defence policy that is not fiscally sustainable over long periods is neither effective nor economical. Expensive major equipment such as ships and aircraft has a lifetime of decades. Just as important, the training, doctrine and skills of the people who use it are built up over almost as long a period. Neither equipment nor training can quickly be altered. Bad choices or frequent changes of mind can be expensive in cash, in loss of professional standards and in narrowing our foreign policy options. Our size requires us to set prudent goals and then to pursue them consistently.

The aim, in New Zealand's present circumstances, must therefore be a credible minimum defence force. It should be the minimum that can be fiscally sustained in the current economic realities. It should also be the minimum needed to meet our essential security interests and to reassure our neighbours and allies that we have the resolve and the capability to do so. Reconciling the imperatives of economy and credibility is a matter of political judgement rather than precise calculation. But to miss the mark risks being unable to sustain our chosen defence policy over the years, or failing to convince our friends that we are making the most effective contribution that our means allow. Either means a waste of our defence investment. Careful analysis and realistic defence goals can help us strike an intelligent balance. It may also assist public opinion to underpin that balance over time by providing a clearer understanding of how defence supports New Zealand's external interests.

CHAPTER TWO

NEW ZEALAND'S SECURITY INTERESTS

The foundations of our defence policy require an examination, not only of the strategic situation but also of the interests we wish to promote by defence including those so vital that we may resort to military action to protect them. Larger powers can take an expansive view of their security concerns. For countries such as New Zealand, with extensive overseas interests and very limited resources to spend on supporting them, it is important to be clear about what these interests are and how best to advance or defend them.

Some of these interests are ours alone. New Zealand has the prime responsibility for direct national tasks such as the protection of our sovereignty and territory, the welfare of our people and our economic livelihood. There are also broader security concerns which we share with other countries, concerns which may stem from a shared political outlook, an interest in maintaining a favourable strategic environment, from common economic interests or from the obligations of international citizenship. These concerns can only be pursued by collective effort in which New Zealand's aims are meshed with those of other and for the most part larger countries.

Defence policy is one means of supporting these wider interests. It does so through everyday tasks, such as maritime surveillance; through the deterrent effect which military capabilities may have on the aims of others, such as the counter-terrorist teams; and ultimately through the ability to deploy a properly-trained and equipped force. Our national security interests which have important implications for defence policy are:

Protection of Territory and Sovereignty.

A government's first responsibility is to ensure the protection of its territory from attack or the threat of attack. This protection underpins the exercise of sovereign power. By definition an independent government cannot leave this task to others to whom it can be only a secondary concern at best. Our external policy aims to prevent or hinder the development of threats to our national interests. An essential part of it is the possession, alone or collectively with other countries, of a military capability sufficient to deter or defeat a possible aggressor.

Protection of Off-shore Resources

New Zealand's large Exclusive Economic Zone contains major fishing and mineral resources, including gas and oil. Japan, the Soviet Union, Korea, the United States and Taiwan are among those who wish to fish in our zone. Resource protection through the monitoring and policing of foreign vessels within the EEZ is a national interest to which the defence forces contribute.

Protection of Nationals

Our interests are engaged whenever there is a threat to the safety of New Zealand nationals overseas. The safety and lawful rights of citizens abroad are normally protected by diplomatic means. Where necessary, however, New Zealand must retain a capability to plan and carry out an evacuation of its nationals. In practice this will normally be done in company with other countries. This should only be necessary when there is a collapse of law and order, actual or immediately threatened, and where it is not possible for nationals to make their own arrangements with civilian carriers.

Protection of Economic Interests

The small size of the New Zealand economy and the paucity of exploitable minerals have made us dependent on external trade and investment. Exports make up about 29% of GDP, compared with 17% in Australia and 11% in Japan. This export trade in turn is still limited largely to a narrow range of agricultural commodities. In the year to June 1990, primary products accounted for 72% of our total exports. This creates continuing vulnerabilities which have to be taken into account in the day-to-day conduct of New Zealand's external policies.

Apart from Australia (which took 19% of our exports in the June 1990 year), our major markets are Japan (17%), the United States (13%) and the United Kingdom (7%). By region, North Asia is the most important destination, taking a quarter of our exports. The European Community ranks second, taking a fifth. Australia is close behind and North America takes 15%. Other regions in descending order of importance are: South East Asia (6%), the Middle East and Pacific (3% each), Eastern Europe and the Soviet Union (almost 3%), Latin America (2.5%), South Asia (1.5%) and the Caribbean (0.7%).

These statistics do not adequately reflect the importance of some individual commodity markets. The health of New Zealand's wool industry depends often on purchasing decisions made in Beijing and Moscow, and on production and marketing decisions made in Australia. Our sheepmeat profitability has at times turned on decisions made in Brussels and Tehran. Beef exports fluctuate with the power of farmers' lobbies in Washington and Tokyo. The quotas and subsidies of other countries' internal policies may be mirrored in a fall in our external trade. Even more than most in the interdependent world economy, New Zealand's interests are directly affected by instability or distortions in the flow of trade.

There are some important implications for our security interests in all this:

- our trading-based economy relies on a stable world trading environment. The complex interdependence of international commerce, trade and financial markets makes us more vulnerable to a sudden downturn in these than to any physical threat. We cannot insure against this other than by pursuing outward-looking and internationalist policies, supporting those who have similar

concerns. This means recognising a mutuality of interest. If we want to ensure that account is taken of our economic and security interests we have to respond to the economic and security concerns of others. We have to be willing to play our proper part in the Asia/Pacific region and beyond.

- the vulnerability of distance. Most of our exports travel a long way to market. A prosperous New Zealand could not exist without the certainty of communications which we have been able to take for granted since the nineteenth century. Our sources of supply for many manufactures and raw materials depend on equally extended lines. Oil is an obvious example but there are other key imports such as trace elements, antibiotics for animals, other pharmaceuticals, agricultural chemicals, plastics, ferrous and non-ferrous metals and machine tools. We share the interest of other trading nations in ensuring the free passage of shipping through the major trade routes and choke points, and a shared interest is a shared responsibility.
- there is a more particular weakness in the low level of self-sufficiency of the New Zealand defence industry. In the event of conflict, New Zealand would depend from a very early stage on the ability to replenish a wide range of stocks from overseas suppliers.

Constitutional Obligations and Other Regional Ties

New Zealand has accepted explicit responsibility for the defence of the Cook Islands, Niue and Tokelau. There is also an implicit obligation to help maintain the security of Western Samoa with which we have a Treaty of Friendship. Ties with other South Pacific countries with which we have historical associations reinforced through immigration, church contacts and family links create informal expectations of security assistance which are no less real for being unspoken. Security assistance has been provided among others to Tonga, Fiji, Papua New Guinea, Vanuatu and the Solomon Islands for a number of years. Membership of the South Pacific Forum, while it involves no formal commitments, is itself a recognition of New Zealand's community of interest with the tropical Pacific and an acknowledgement that we have an important concern with its peaceful development. Our defence forces also need to maintain a capability to assist our South Pacific neighbours in areas such as surveillance of their maritime economic zones and disaster relief operations.

Treaty and Other Security Arrangements

Treaty obligations define and make formal what are, in effect, underlying national interests. An international agreement "speaks" not only because it sets out legal obligations but also because it reflects interests that are still common. New Zealand has relatively few security treaties additional to the most fundamental one of all—the UN Charter:

- *Canberra Pact.* Concluded in 1944, this pact was the first formal definition of a defence relationship between Australia and New Zealand which had existed from the earliest days of European settlement. It was also the first assertion by the two countries of their intention to pursue an independent policy in South Pacific affairs, and to establish permanent machinery to promote defence cooperation. It has given rise to a large number of technical and other agreements underpinning the close defence relationship (some 21 agreements with another 14 pending). Article 13 sets out the geographical extent to which both parties committed themselves for immediate defence purposes:

- *Article 13.* The two Governments agree that, within the framework of a general system of world security, a regional zone of defence comprising the South West and South Pacific areas shall be established and that this zone should be based on Australia and New Zealand, stretching through the arc of islands north and north-east of Australia, to Western Samoa and the Cook Islands.

- *ANZUS.* The ANZUS Treaty defines a common area of defence interest with the United States and Australia. It is not the foundation of our relationship with either; nor is it directed at any particular country. Its aim is to provide an insurance policy for contingencies beyond our own capabilities—contingencies which our shared interests made it likely would be of concern to all three partners. In the words of the New Zealand signatory, Sir Carl Berendsen, it "rests upon the solid basis of common interests and ideals" and offers a promise of "cooperation, a joint offer and assurance of aid, ready and immediate, should aid be needed". In the preamble to the treaty, the three signatory governments declare "publicly and formally their sense of unity, so that no potential aggressor could be under the illusion that any of them stand alone in the Pacific".

Strategic circumstances have changed for all three partners since the worries about the Japanese Peace Treaty in 1951. After forty years, however, the alliance continues. For Australia and New Zealand this survival reflects the fact that in most situations which call for collective action, the United States is likely to be a powerful ally. Because of the dispute over ship visits, the United States suspended its ANZUS links with New Zealand. New Zealand's influence and ability to take part in collective efforts has been reduced. Yet the logic of the alliance has persisted, and so therefore has the search for a solution to the differences which divide it. The treaty itself remains in force and provides the main formal expression of our defence links with Australia.

- *Manila Treaty.* The full title of this treaty, signed in 1954, is the South East Asia Collective Defence Treaty. While still legally in force it is effectively moribund. Its main significance is historical, in that it gives early expression to New Zealand's interests in South East Asia.

- *Five Power Defence Arrangements.* These arrangements, concluded in 1971, do not constitute a security treaty but provide the framework for New Zealand security cooperation (along with Australia and the United Kingdom) with Malaysia and Singapore. In more recent times the FPDA has been balanced by bilateral military cooperation with Indonesia and Thailand under mutual assistance programmes. New Zealand has made a large diplomatic and defence investment in the area, acknowledging that its stability and prosperity are of direct interest to both New Zealand and Australia.

Three other treaties touch on our security interests:

- *Antarctic Treaty.* Signed in 1959, it binds the contracting parties to the peaceful use of the continent and prohibits the military use, testing or siting of weapons of any kind. In effect it establishes Antarctica as a demilitarised zone and removes the sea and land south of the sixtieth parallel from New Zealand's security concerns. Any breakdown of the treaty would signal a change in our strategic situation.
- *Treaty on the Non-Proliferation of Nuclear Weapons.* New Zealand was among the first to sign this, in 1968, testifying to a continuing concern to limit the spread of these weapons and to seek verifiable measures of nuclear disarmament.
- *South Pacific Nuclear Free Zone Treaty.* Sometimes called the Treaty of Rarotonga, this was adopted in 1985 and has been signed and ratified by twelve members of the South Pacific Forum, including New Zealand and Australia. The Treaty has three protocols open to signature by the five declared nuclear powers. Protocol One invites the three nations with territory in the zone (France, the United Kingdom and the United States) to apply the provisions of the treaty to their territories. Under Protocols Two and Three the nuclear weapon states would agree not to use nuclear weapons against any party, and undertake not to test nuclear explosive devices in the zone. China and the Soviet Union have signed. The United States has stated that none of its practices and activities within the Treaty area are inconsistent with the Treaty and its protocols. The United Kingdom has announced that it would respect the intention of the regional states on Protocols 1 and 3. France, which continues to test weapons in the region, has formally decided not to adhere to the protocols.

Shared Values

New Zealand shares strongly-held values of democratic freedoms, parliamentary institutions and the rule of law with a number of other countries. It has been pointed out that only six countries have enjoyed stable parliamentary government for more than one hundred and fifty years: Britain, the United States, Canada, Australia, New Zealand and Sweden. Many more have joined, or are now joining, this group of what

are sometimes called "like-minded" countries. The like-minded may form shifting coalitions on a wide range of international issues, but major questions of security and international law will tend to find many of them coming together. All have an interest in supporting the spread of democratic freedoms and human rights, if only because, as someone else has observed, no two democratic countries have so far gone to war with each other. The group efforts of like-minded countries have in the past offered New Zealand its best opportunities for pursuing its wider national interests. This is unlikely to change.

Orderly Conduct of World Affairs

Whatever the political philosophies of other countries, its size, modest defence capabilities and far-flung interests give New Zealand a strong interest in the maintenance of peace and international cooperation. Despite our remoteness, we as much as anyone need the rule of law. Our instinct has been to be a good world citizen. This is reflected in our staunch support for the United Nations, whose charter we helped to draft, and the development of a body of international law designed to encourage states to settle their differences peacefully. In disarmament and arms control, New Zealand has worked actively for international and regional measures to reduce the possibility of nuclear and other forms of warfare. We have a solid record of support for United Nations and multinational peacekeeping, contributing in Kashmir, Cyprus (police), Namibia, the Iran-Iraq border, to the United Nations Truce Supervisory Organisation which operates in the Middle East, and (outside the United Nations) to the Multinational Force and Observers in the Sinai and to the Commonwealth Monitoring Force in Zimbabwe. New Zealand has also contributed personnel to the only two enforcement actions authorised by the Security Council—in Korea and the Gulf. New Zealand also contributes personnel in support of United Nations efforts to clear mines from Afghanistan to facilitate the return of refugees.

Efforts to bring order into international economic affairs are equally in our interest. The maintenance of an open global trading system and adherence to an international regulatory framework are vital to our security. Beyond these, other issues are emerging which can only be managed through concerted international action. Environmental degradation, narcotics, terrorism, human rights and refugee flows are examples. In many practical ways these problems affect New Zealand's security and require us to play our part in collective efforts to tackle them.

THE IMPLICATIONS FOR DEFENCE POLICY

These broad security interests have a number of implications for New Zealand's defence policy which need to be considered before the goals of our defence policy can be defined. They can be grouped under five headings:

(1) *Support for National Aims.* That this is the foundation of defence policy is obvious. But it does not stand alone. It is a contributor to

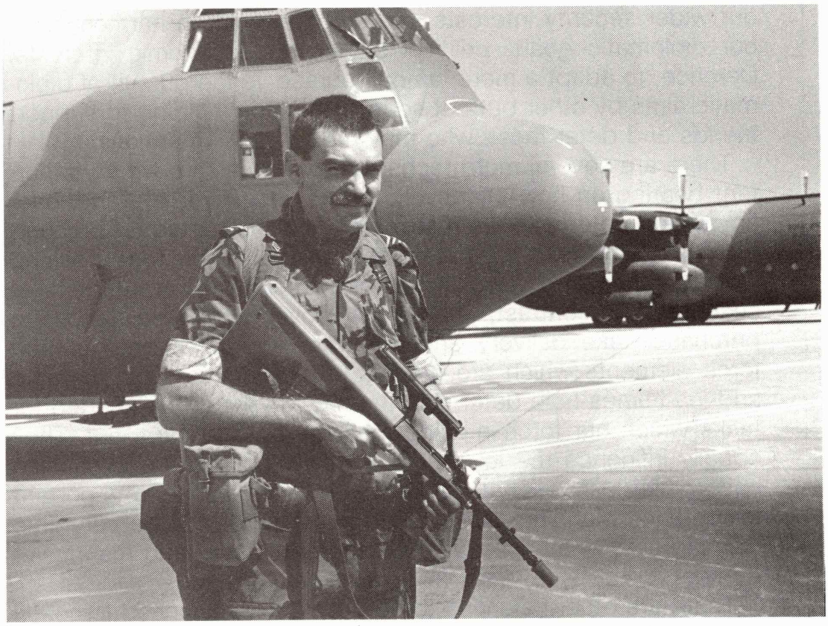
our wider security interests and so must work in harmony with our diplomatic goals, political stance and economic interests. Defence, to adapt a more famous phrase, is the pursuit of diplomatic aims by other but not separate means, helping to support friends and deter those who may have hostile intentions.

There are several more technical points which have an important bearing on how effectively this is done. Warning and lead-times help determine force structure and the pattern of procurement. Warning time estimates the likely notice the New Zealand Government would have of evolving threats to our interests or security. By contrast, lead-times cover the time taken to purchase, take delivery and integrate equipment into trained force elements which are credible and effective. Both warning and lead-times help determine the level of capability needed for tasks which our force-in-being must be able to carry out. They equally influence the levels of capability held in the expansion base or force-in-reserve. Striking the right balance is important for defence planning. History suggests there may be very little warning time of a crisis, whereas the equipment and manpower to meet it may take years to obtain and work up.

There are other balances to be got right. A balanced force—a proper mix of war-fighting capabilities and support—is clearly desirable. In a small force, however, where major equipment purchases can have a lumpy or unbalancing effect on defence budgets, continuous attention needs to be paid to the balance of expensive weapons systems, the platforms that carry them and the personnel who operate them. Weapons systems and their support must be carefully related to the tasks they will perform in New Zealand's defence planning.

Finally, there is the balance to be struck between the force-in-being and the expansion base. Our policy has for many years aimed at maintaining a standing force capable of dealing with small-scale contingencies or of making a speedy contribution to a multinational response. At the same time we have provided a nucleus for expansion in the event of larger-scale contingencies which may be of longer duration. Both are sensible but circumstances suggest an examination of the relative weight placed on each. In terms of equipment and cost, we have difficulty in sustaining even a short contribution. But our policy needs seem increasingly to favour the ready reaction. When our friends want support, they want it quickly and not the promise of a larger force in six months. We are less likely to deploy an expanded force than to use the expansion base to sustain the force-in-being. There may also be a greater deterrent value in forces that are readily available.

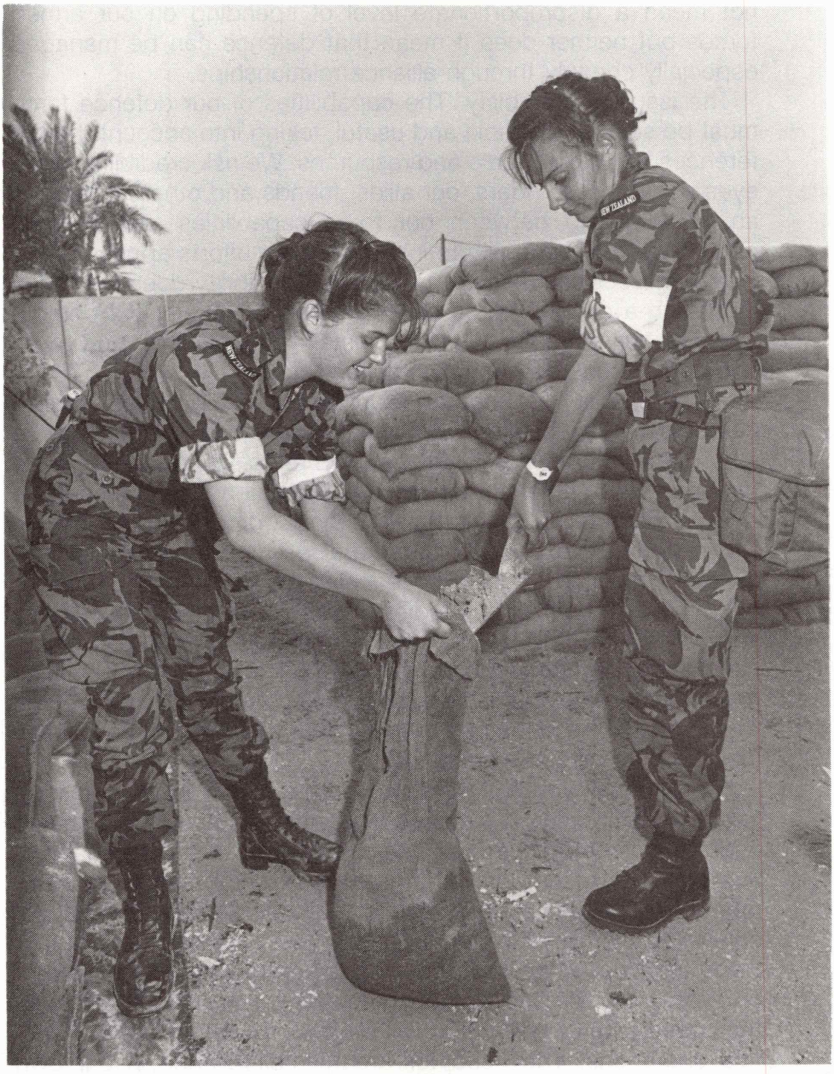
(2) *The Pursuit of Shared Interests.* A defence policy which adequately protects New Zealand's widely-dispersed interests must seek the goodwill and cooperation of others. Our requirements commit us to collective security. The largest coalition is the



An NCO guards an RNZAF Hercules aircraft in Riyadh during the Gulf War's Operation Desert Storm.

United Nations. It has a long record of peacekeeping which New Zealand as a small country has strongly supported. Changes in East-West relations may allow it to play a more active part, as it has done in the case of Iraq's invasion of Kuwait. This too would be welcomed by New Zealanders. But while we may be cautious about hailing an instant new era of international cooperation in and through the United Nations, New Zealand remains strongly concerned to foster the organisation's ability to take collective action. New Zealand's current bid for membership of the Security Council underlines our commitment to help the UN contribute to the pursuit of international peace and security in all senses of those terms. However, the veto still exists, as do the underlying differences of interest among the great powers which the veto acknowledges, and these will always constrain the UN's ability to take collective action.

Other, smaller groupings may come together to support their collective security or other interests. They may focus on "like-mindedness" of outlook, language or institutions; on historical connections, geography or economic concerns. They may come together in a temporary coalition or form alliances that reflect more permanent interests. The collective arrangements may involve a formal structure, like the Commonwealth or South Pacific Forum Secretariats, or rely on periodic meetings, as did ANZUS.



RNZN medics fill sandbags at a Royal Air Force hospital in Bahrain. They were part of the NZDF medical contingent which served in the Gulf war.

Joining a coalition or alliance is a country's sovereign choice. But supporting national independence and interests within the coalition means being able to bring to the grouping a demonstrably sufficient capability which helps meet the joint goals. Quite plainly, the other members of the grouping are the judges of what is sufficient and useful. For a small country a contribution to a collective enterprise may bring benefits far beyond its size, but an inadequate contribution may bring no benefits or a state of dependency in which national interests are ignored. This does

not mean a disproportionate level of spending on our armed forces but neither does it mean that defence can be managed especially cheaply through alliance relationships.

The issue is credibility. The capabilities of our defence force must be seen as credible and useful, taking into account the differences in national scale and resources. We risk credibility in the eyes of New Zealanders, our allies, friends and others if there is an obvious gap between our force capabilities and defence goals. We lose the ability to influence if our efforts appear inadequate and our commitment uncertain. Credibility does not mean modelling a defence force on the wishes of others, but demonstrating our determination to sustain professional and well-equipped forces able to meet defined goals.

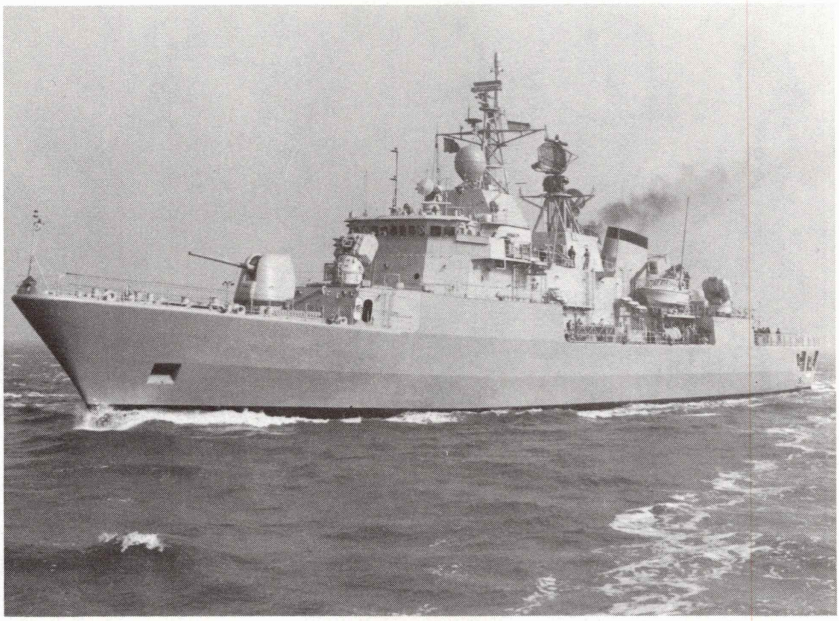
Interoperability is another requirement for pursuing shared interests. Like credibility, it is a measure which makes some force structure and equipment options more effective and better value for money than others. It means that our defence forces must be able to operate successfully with those forces with which we would normally expect to cooperate in times of crisis. Though simple in concept, it has far-reaching implications for training, equipment and planning. Studies of allied or joint operations have shown that the ability to operate together has been crucial in successful deployments. When it has been absent, the penalties have been greater casualties and lost opportunities. In peacetime the costs can be measured in duplicated effort, purchasing inefficiencies and delays in readiness.

Interoperability with allies does not necessarily mean acquiring identical equipment, but it does mean that the equipment shares important common features. One of the advantages of a cooperative project like the ANZAC frigates is the high degree of interoperability which naturally results. The advantages extend not only to working with allies. They are also important among our three services. In the past they have operated separately as part of allied land, sea and air operations. This has once again been the case in the Gulf War and will always be likely in larger collective operations. The need for greater self-reliance in our own region, however, means that joint operations involving the three services may be more frequent.

The importance of interoperability in providing economies of scale, less duplication and higher professional standards covers a large part of defence work:

(a) logistics (equipment which for example share standard sizes of ammunition, common grades of fuels and oils or which have interchangeable parts);

(b) communications (including standard frequencies, codes and communications disciplines);



A Meko 200 Frigate—the basic design adopted for the ANZAC Ships Project.

(c) doctrine (including a common philosophy of operations for force components, recognised tactics and standardised operating procedures in and out of battle);

(d) intelligence (including common formats and categories for information collection and interpretation).

Interoperability is far from being simply a matter of compatible hardware. Its achievement in operations is often dependent upon sustained periods of exercises and training with allies and among the three services.

There is one further requirement for deploying with allies and that is a reasonable capacity for self-defence. If our forces cannot contribute to the protection of a larger formation but instead have to be protected by it, then clearly our contribution may be a drag on the collective effort and a liability. While there is a division of defensive tasks in any such formation, each unit needs to have the basic ability to look after itself. Those options in force structure or equipment which offer a credible measure of self-defence thus offer greater value than those which do not.

(3) *Flexibility.* This is not a matter of being able to meet all or even most conceivable contingencies. It would be impossible to do so. For New Zealand, attempting to match a force structure to specific scenarios is a waste of time and usually of money. Our strategic circumstances remove some possibilities. The need is to make available to governments a reasonable range of options

Fleet Replenishment Tanker HMNZS Endeavour *refuels ships of the Royal Australian and Royal New Zealand Navies*

against an uncertain future. Flexibility becomes an important determinant of our force structure. Our armed forces should not become limited by over-specialisation in equipment or roles. We cannot plausibly guess (and experience over forty years confirms this) what they will be asked to do next. Nor should they aim to make good elements which are missing from other forces. They should provide a selection of deployment choices on a graduated scale, giving the government the freedom to decide what is the appropriate response in each case.

This means general-purpose capabilities and force structures with a long reach and a broad base of training and equipment. A small force with a wide range of possible tasks will favour equipment that supports more than one role. It will need to meet the demands of operating alongside other forces at considerable distances from New Zealand as well as of deploying into the South Pacific and will be careful that its level of specialisation does not limit its usefulness in either.

It will wherever possible avoid the risks of advanced technology which elsewhere consumes huge amounts of defence spending. Infantry training and equipment or long-range air transport, to give two examples, do not need the high-cost and rapidly changing technologies which characterise air defence fighters or missile batteries. New Zealand's comparative advantage lies in the use of proven technologies. Some of these over time can be

adapted to New Zealand's needs and improved at a low cost. For example, the Navy has a long and respected record in underwater acoustic research. The RNZAF has built up considerable expertise in operational data handling systems and cockpit displays for aircraft. The Army has used local electronic and software skills to develop battlefield computing equipment.

Along with the general-purpose requirement, a major influence on New Zealand's force structure has been the need to be configured and equipped as a force-in-being to deal with "low-level contingencies" affecting New Zealand and its neighbourhood, either independently or in cooperation with Australia. The meaning of low-level contingencies, as it has been used in New Zealand planning, ranges from operations designed to avert conflict, through actions with limited aims and short duration to "low-level conflict". This term is ambiguous. It could involve a large effort over a lengthy period, as in counter-insurgency or irregular warfare, which could be beyond New Zealand's logistic and manpower capacities.

Low-level contingencies are also those which can arise at short notice and with relatively little warning. The ability to threaten law and order can be acquired quickly and comparatively cheaply. It may be difficult to detect from within a country's establishment. This characteristic emphasises the need within New Zealand's force structure and equipment to be able to gather reliable intelligence about our region and the regular surveillance of happenings within it. It also increases the value of a force-in-being at a reasonably high state of deployable readiness.

(4) *Continuity of Commitment.* Changing requirements in defence policy and the strategic outlook require changes to our force structures. Force development is a long-term business and requires new investment. Not simply investment in capital equipment but also investment in training, in developing the future military professionals who will advise the government of the day, in combined planning and exercising and in developing the essentials of interoperability with allies. This is in addition to the considerable investment in replacement or upgraded equipment required from time to time.

Investment, whether in replacement or new equipment, or in training or systems requires a long view. The defence forces cannot deliver "value for money" in an environment of constant changes from the planned requirements for force structure, or abrupt changes to the "price" that the Government will pay. This means that the defence force budget should be fiscally sustainable over the long term. Equally important, there must be fiscal stability. Planned future capital contributions from the Crown cannot be turned on and off at will. When this happens the careful logic which couples force development to our strategic requirements is dislocated.

At a time of tight fiscal restraint there is a particular problem

with the capital equipment programme. The cost of new equipment is increasing at a rate considerably faster than inflation or the ability of depreciation to make provision for its replacement. The growth of defence technology, driven by heavy investment in research, is very rapid. Even in equipment lasting only a few years like is never replaced with like. The ANZAC frigate will be more powerful than the Leander class it replaces but we cannot sensibly opt for the earlier and cheaper level of technology. Other people's warships will be geared to the new capabilities and our frigates must have adequate defences to meet new levels of threat. But this means that the modernisation needed to get over the hump of obsolescence cannot be accommodated within existing levels of taxpayers funds. Without new capital injections there will be major penalties in force readiness and its sustainability when deployed.

The cost of manpower is also a significant influence on what can be afforded. New Zealand's consistent preference for an all-volunteer force means that market pay-rates and conditions of service must be offered to induce people to join. Because of the substantial investment made in training, further incentives are needed to hold personnel long enough to ensure the institutional memory and to maintain a qualified and experienced workforce. At the same time, though, volunteer recruitment is more selective, enabling the development of a workforce which can operate, repair and improve sophisticated weaponry.

National Command and Professionalism

There is another enduring need: good command and leadership skills and a confident professionalism throughout the Defence Force. A substantial investment in training and a thorough grounding in the operational arts is essential if costly mistakes are to be avoided. And though the technical skills are important, the skills of higher leadership are more so. A sound, well-ordered profession is the bedrock upon which future military advice to the Government is built. There are many examples of military miscarriage, some of them recent and within our region, resulting from poor advice, unrealistic representation of capabilities or simply lack of command and control experience. Failure to invest in a continuum of experience risks the entire defence investment if operations break down or the advice given to political leaders is weak.

CHAPTER THREE

A DEFENCE STRATEGY FOR NEW ZEALAND

DEFENCE POLICY GOALS

The study of our strategic situation and national interests makes it possible to define New Zealand's defence policy goals. These must form part of our broader foreign policy aims. They must take account of the unpredictability of events and defence tasks over the long life of defence planning. The goals, therefore, are not novel but should be based on the bedrock of strategic permanency. By nature they are evolutionary, changing only slowly over time.

The Government's defence policy goals are:

- to maintain the sovereignty of New Zealand.
- to preserve the security of New Zealand and its essential interests.
- to maintain the sovereignty and security of the Cook Islands, Niue and Tokelau.
- to contribute to the security of the South Pacific states with which New Zealand shares historical or other particular interests and to contribute generally to the security and stability of the South Pacific region.
- to develop further the existing defence cooperation with Australia, including combined planning, operations, logistics and the industrial base.
- to maintain and develop defence cooperation with ASEAN countries, and to preserve the partnership obligations of the Five Power Defence Arrangements.
- to work to re-establish an effective defence relationship with New Zealand's other traditional partners, especially the United States and the United Kingdom.
- to support the United Nations by contributing forces for peacekeeping or peacemaking duties.
- to contribute forces to other collective endeavours where New Zealand's national interests are involved.
- to ensure that the general-purpose forces implied by these goals are capable of supporting non-military interests, including disaster relief assistance, resource protection, rescue and medical evacuation services to the community in New Zealand and in the South Pacific, and logistic support for activities in the Antarctic.

HOW BEST TO MEET THESE GOALS

The next step is to adopt a strategy, a broad plan for meeting these goals. Like other countries, New Zealand has a number of alternative strategies from which to choose. All have strengths and weaknesses. Measuring them against the defence goals will decide the preferred

strategy. Some of the ideas which have been publicly advocated are examined below:

Neutrality

If New Zealand were to declare and secure international acceptance for a foreign policy of neutrality, its defence options would be two: armed or unarmed neutrality. Both mean strict adherence to the principles of neutrality, with the limitations on international action and comment that these require. New Zealand would not choose to become involved in any wars, would not host foreign military forces and could not belong to any military alliance or collective defence organisation. Armed neutrality would permit the maintenance of defence forces for deterrence and protection, as all neutral countries have so far felt compelled to do. Unarmed neutrality, a more venturesome course, would mean renouncing all defence forces, relying on international respect and forbearance to preserve our security.

Neutrality of either kind has attracted some advocates. At a time when there is no direct threat to New Zealand why maintain defence forces? Neutrality would take New Zealand out of "entangling alliances" with all the complications and compromises they require. It would also impose a strict discipline on foreign policy choices by governments. There could be no temptations to military adventurism.

Along with these attractions, however, there are major costs. Armed neutrality has a very large financial one. It best suits countries with economies that are highly self-sufficient, given the limitations on trade that may be imposed by belligerent powers in times of conflict. For New Zealand, heavily reliant on long and vulnerable sea-routes and on trade with many who might be belligerents, this would be less credible. Armed neutrality also requires heavy spending on substantial military forces to provide an adequate level of deterrence, since neutral countries cannot share their security burdens with others. This would mean a substantial increase in New Zealand's present levels of defence expenditure and probably some form of military service.

A more fundamental objection to either form of neutrality is that it cannot actively support our external interests. We would signal to our friends and those whom we wished to influence that no defence or foreign policy support could be expected from us. The repudiation of all alliances and implicit obligations would mean the loss of mutual support and considerable damage to our economic interests. Our influence in the South Pacific would melt away. We would have to repudiate our long-standing defence relationship with Australia, being unable either to come to Australia's assistance or seek it for ourselves. This would undoubtedly place a heavy penalty on our economic relationship.

It would also run counter to New Zealand's traditionally internationalist and pro-Western outlook. There is no sign that this would be acceptable to even a significant section of public opinion. The only authoritative survey, by the 1986 Defence Committee of Enquiry, found that less than 10% of those surveyed supported armed neutrality and less than 5%

opted for unarmed neutrality. Four-fifths believed that New Zealand should form alliances with other countries and two-thirds wanted alliances with both Australia and the United States.

Defence Non-Alignment

This too is a foreign policy stance, but less clearly defined and so less restrictive than neutrality. The goals of non-alignment have grown out of Third World independence, the challenges of superpower confrontation and the structural disadvantages faced by many Third World countries in the international economic system. As a security policy, non-alignment discourages membership of military alliances and involvement in Western policies and the Cold War. At the same time, few members have forsworn the use of military force and in some cases not even the membership of alliances.

Non-alignment for New Zealand is advocated for many of the same reasons put forward for neutrality: dissatisfaction with the costs of alliance membership, the wish for a foreign policy based on moral judgements, and a desire to restrict the maintenance and use of armed forces to self-defence. It cannot, however, support New Zealand's wide range of external interests. It would mean repudiating our close ties with Australia. Beyond that, our cultural and economic links are to the main Western centres of influence. A strategy so at variance with our natural foreign policy ties would not be sustainable.

Home Defence

This strategy concentrates as its name implies solely on the direct defence of the New Zealand homeland. It requires armed forces of sufficient size and capability to deter any attack on New Zealand and, if deterrence fails, to resist and defeat any aggressor. Limited cooperation with allies would be permitted but not deployments overseas. Hence a variant is sometimes called "non-provocative defence". Other options envisage civilian-based non-violent resistance, guerrilla warfare or paramilitary forces. New Zealanders would be trained to offer either armed or unarmed resistance to invasion, and continued opposition should an enemy secure a lodgement on our territory.

This has the advantage of making defence a concern of the whole nation, rather than of a small body of professionals. It removes any barrier between the people and the defence establishment. It simplifies defence down to one task, rather than spreading limited resources over an array of off-shore commitments. It renounces an offensive capability. And national mobilisation on the scale needed—"total defence"—has other social uses. It can be used to cope with other major emergencies such as a catastrophic earthquake or volcanic eruption.

There are considerable risks. If the deterrence implicit in home defence fails, then New Zealanders will be exposed to foreign attack and perhaps occupation. This is hardly acceptable while alternatives exist. Equally, widespread training in the techniques of political non-cooperation, public defiance, parallel governments and paralysing civil

disobedience could in the wrong hands threaten New Zealand's stability as effectively as any foreign aggressor.

If properly done home defence is not cheap, in equipment, stockpiles and time spent in training. If not properly done it is worthless. It is unlikely to evoke an adequate level of commitment because New Zealanders at present do not see any direct threat which would warrant such a large community effort.

There is another important objection: home defence would do nothing to support our substantial interests abroad. Whether or not it implied an accompanying shift in foreign policy to non-alignment, it would signal to other countries a sharp narrowing of our external focus. It would mean abandoning our constitutional and other obligations to a number of South Pacific countries and our interest in maintaining stability in the region. An unwillingness to contribute to the defence of Australia—almost unthinkable after our long history of cooperation —would end the defence relationship. Because it would increase Australia's defence burden, it would damage the economic and other transtasman relationships as well. It would do nothing to support our interests in the Asia/Pacific region, the protection of New Zealanders and their concerns abroad, and above all, the ability to support our foreign policy through collective action with our friends where common interests are involved.

Defence in Depth

This strategy, sometimes called "layered defence", has been adopted by Australia. It emphasises intelligence to provide the maximum warning of developing threats and then plans to meet an adversary well forward in the sea and air approaches, aiming to deny the enemy any significant freedom of operation close to Australian territory and to ensure that any lodgement on the Australian mainland can be contained as quickly as possible.

It means being able to conduct long-range intelligence gathering; surveillance and patrolling in all of Australia's maritime approaches; the ability to mobilise maritime strike and air defences to intercept an adversary while crossing these approaches; and the development of mobile, rapid-reaction ground forces to deal with any hostile elements which reach the mainland. By providing several "layers" of defence, it aims to ensure that Australia is not left vulnerable even if one layer is circumvented.

This has a limited applicability to New Zealand's circumstances. Though Australia and New Zealand share a core of common strategic concerns and intelligence and surveillance are important to us, our geographical situation is very different. The fact that New Zealanders are said to lack a sense of threat reflects this. Remoteness means that the threat of invasion, a lodgement or even a serious raid, while never to be overlooked, is not the main determinant of a New Zealand defence strategy. Our size is much smaller, our distance from other large countries much greater and our concerns less direct. The need to support our

defence interests, including those shared with Australia and other friends, is what in practice shapes our policy.

Forward Defence

This means planning and equipping to repel any threat well forward of New Zealand's own territory. It often, though not necessarily, involves the forward stationing of forces. For practical reasons this option would need to be linked to a major regional or other alliance—few countries would find a New Zealand presence a sufficient defence.

Fighting forward of one's own country is everyone's preferred option. However, a defence strategy requiring permanent forward basing has little relevance to our present circumstances. It implies a narrow focus rather than the broad range of interests we have to protect, a static position rather than flexibility. It would hinder our freedom of response. New Zealand faces no threat specific enough to require forward basing. There is no invitation from any host country to do so. Without these pre-requisites such a strategy has no meaning.

Regional Defence

This strategy, first outlined in 1987, was a response to the contraction of New Zealand's defence options after the ANZUS rift and the belief that our approach should be more concerned with the South Pacific. It sought: —the achievement of an "economically-sensible" degree of military self-reliance for New Zealand within a geographic region—the "area of direct strategic concern"—stretching from Western Australia east to the Cook Islands and from the equator to Antarctica. This was seen as the area through which an aggressor would have to move in order to mount a direct threat or attack on New Zealand.

- the development of a closer defence relationship with Australia, to the extent possible within the limitations of the ANZUS dispute. Noting the commonality of strategic concerns in both countries, the strategy presumed that a combined Australian - New Zealand response would be the norm in future security threats. It saw a closer relationship as also strengthening New Zealand's regional self-reliance, through help with training, exercises, intelligence exchanges, maritime surveillance and logistic support.
- a commitment to collective security centred on Australia and the South Pacific. South East Asia became a "supplementary goal". More distant responses were limited to United Nations peacekeeping operations.

Defining a geographic area of operations (albeit a sixth of the earth's surface) has the advantage of concentrating the capabilities and training needed by the defence force. It emphasises the ability to respond to certain low-level threats, the establishment of the long-discussed national command, expanded independent intelligence gathering and non-military tasks like disaster relief. By definition this regional strategy would meet New Zealand's constitutional and implicit obligations to its South Pacific neighbours. However, over time the narrower framework of

training and doctrine would considerably limit the range of contributions we could make to collective security efforts. It seems doubtful whether this circumscribed capability would be accepted by our friends and allies, including Australia, as a sufficient contribution to ensure the continuance of mutual support where wider New Zealand interests are involved. It could not therefore support New Zealand's wide spread of external interests.

This approach concentrates on only a part of New Zealand's defence interests. The South Pacific consists of a number of small and scattered states whose economies are for the most part not strong. Only three percent of our trade is with these states. New Zealand does not depend on them for its well-being; rather the reverse, for many benefit from New Zealand's open economy. Both depend on what happens over the horizon, on access to the economic dynamos of the Pacific Rim and to the major economies of the northern hemisphere. A security policy which committed New Zealand solely to a regional strategy would be inward-looking and would serve neither our interests nor those of the South Pacific. Historical experience seems to confirm this: since the Second World War all of our active deployments have been outside the South Pacific.

Economically-sensible self-reliance seems a reasonable goal but in practice it has been beyond our abilities to fund. The core of the regional strategy was the capability to deal with any low-level contingencies in the South Pacific, either alone or with Australia. But the military geography of the South Pacific is one of the most difficult in the world. There are few centres of population, industry or trade scattered over a vast expanse of ocean. The capacity of many airfields and ports is limited and many other landing-places are guarded by barrier reefs. We do not have the sea-borne and other logistic support necessary to overcome these obstacles, to deliver and sustain a reinforced battalion group. Therefore, as alliance cooperation and burden-sharing have decreased, a strategy of regional defence rests on the acquisition of defence capabilities which make a substantive degree of self-reliance credible. In 1987 this was acknowledged to require an increase of $95 million, to be funded from savings within the annual base funding level for defence. Actual budgetary amounts have fallen well below this funding level. In defence it is dangerous to allow a gap to open up between the rhetorical capability, what is talked about, and what actually exists.

The regional strategy requires a concentration of defence resources and effort on the South Pacific. There seems little military reason why we should concentrate on dealing with external threats to the stability of the South Pacific. These are of low probability and for political and practical realities would always be undertaken in company with Australia. The geographic obstacles that cause us such difficulty are equally effective in deterring any external interference. Specialised equipment and training would be needed to threaten the modest resources of the South Pacific and it is hard to see why any distant power should wish to do so. Indeed, in the South Pacific as in New Zealand, no direct external threat

can be seen for the foreseeable future. A major strategic deterioration, such as occurred before 1941, should with reasonable vigilance be identifiable in advance. However, the increasing availability of weaponry could considerably shorten the warning time for local troubles.

The most likely threats facing South Pacific nations are threats to their internal security posed by frail economies and burgeoning populations. The threat is far from being theoretical, as Fiji and Vanuatu have witnessed in recent years. The direct effects on New Zealand's security need to be carefully distinguished; they would not necessarily be large. But internal threats to law and order in a South Pacific state could be of concern to New Zealand as to other Forum members. Assistance in dealing with these threats, when requested by a South Pacific government, must be a capability of New Zealand's forces. It need not be a principal determinant of force structure. To the extent that we choose to assist with low-level problems of internal security, this should be able to be met from the latent capabilities of well-equipped general-purpose forces.

Alliance Defence

In this strategy New Zealand, given that it faces no direct threat, would rely on its allies to defend its wider interests, since most of these interests are common to Australia, the United States and other western countries. It would not mean a free ride, unless we wished to give up all influence over our external interests. New Zealand would recognise the need to "pay its dues", developing capabilities valued by its allies and being prepared to contribute to their operations in war as in peace when this was seen to be in New Zealand's interests.

This acknowledges the wide spread of the interests New Zealand needs to promote, and the fact that all but the smallest regional concerns are likely to involve our allies at least as much as ourselves. Paying dues is an economical form of insurance for a small country with world-wide interests. It also opens up avenues of influence and access which would otherwise be closed to us. New Zealand would have the freedom to pursue its interests in the confidence that our major allies are powerful enough to influence world order and stability. Such alliance relationships may involve political costs. Equally, we may be required to accept certain military arrangements. But in exchange, New Zealand would enjoy a substantial freedom of action within alliances as it has in the past, and would receive the indirect backing and support of allies in the pursuit of many of our national interests of a non-military nature. It is not in itself inexpensive. To be a member in good standing, dues have to be paid in full.

This option, though followed with advantage by New Zealand for many years, is not possible in today's circumstances. An unbalanced collection of capabilities designed only to fit a larger force would not meet our immediate, day-to-day requirements or our regional obligations. Whether or not it would meet the need for defence cooperation with Australia is problematical; it would depend on how closely we were

willing to mould our capabilities to its strategic aims. There is no reason to assume this is what our allies wish. Because they will wish to maintain balanced forces of their own, they will be reluctant to leave specialised force elements to be supplied by partners, such as New Zealand. They are most likely to prefer a New Zealand defence force which, along with Australia's, can anchor the stability of the southern edge of the Pacific Rim and the South Pacific and which beyond that can contribute to wider operations in the common interest.

Most importantly, New Zealand as a sovereign country cannot now hand over its concerns, and a major part of its decision-making, to others. The public and the members of the defence force themselves could take pride only in a New Zealand force equipped and trained for New Zealand tasks, though these tasks from time to time will be carried out as part of larger forces.

THE PREFERRED STRATEGY: SELF-RELIANCE IN PARTNERSHIP

All consideration of a defence strategy for New Zealand has always had to fuse two fundamental requirements: the wide geographic spread of our interests compared with our small population and fiscal base. If the direct defence of our territory is seen as a low priority, by both planners and public alike, thinking must start from an indirect strategy, the defence of our interests abroad. Regrettably, there is no neat logic to defending these. National fiscal realities determine the level of support for these as for other elements of our external policy, such as our diplomatic establishment or foreign aid. Hence the requirement may be defined as a credible minimum defence force. Minimum because it must be sustainable through our present economic circumstances. Credible because even at a minimum level it must be seen to be capable of meeting the essential aims defined by successive governments. This credibility must be accepted not only by the New Zealand public who pay for it, but also by our friends and allies whom we expect to respond to it, and by those other forces who must take our modest resources into account. Unless our fiscal minimum is credible, we have wasted much of our defence investment.

New Zealand, it is said, is always training for the last war (a criticism by no means unique to us). After the Second World War we trained for war in the Middle East, though we fought in Korea, and after 1955 we concentrated on jungle warfare in South East Asia. Since 1978 the focus has been increasingly on contingencies in the South Pacific. In the late eighties it came to be assumed by many people that New Zealand defence forces would never again deploy outside the region. History both recent and past suggests otherwise. It suggests, not that we must acquire better foresight, but that we must accept the uncertainty of where our forces may be committed and structure them with this in mind.

The approach which best fits the realities of our situation might be called Self-Reliance in Partnership. It attempts to make clearer sense of our huge geographic ambit by avoiding two separate and uneasily-

matched categories, the South Pacific and Beyond, and replacing them simply with the view looking outward from New Zealand. Defence planning becomes the task of devising appropriate responses to a spectrum of interests, starting with the capability to deal with low-level threats to New Zealand, our territorial waters and EEZ, moving out to New Zealand's maritime environment, common interests with Australia and with our South Pacific neighbours, to our more distant but not less important interests in South East and North East Asia (both at similar distances from us), the Northern Hemisphere and global peace and security.

New Zealand and its immediate Neighbourhood. In recent years it has become accepted that New Zealand should have an independent capability to deploy a national force to carry out certain low-level tasks in and around New Zealand waters and in the South Pacific. This is the concept of "greater self-reliance": New Zealand must be able to support its immediate national interests to the level of its fiscal and professional capability.

Wider Collective Action. Self-reliance, however, is not self-sufficiency. No nation can now be self-sufficient in all defence tasks and New Zealand's capacity is more modest than most. We cannot equip our forces to achieve more than a modest degree of self-reliance even in the South Pacific. Nor need we. It is difficult to think of any but the smallest contingencies where we would not prefer to act in concert with Australia. That is probable too for most major contingencies elsewhere, making inter-operability with Australia a fundamental objective of our defence planning.

Beyond that, the mismatch between our size and our far-flung interests makes wider partnerships the most effective method of pursuing our defence aims. Our experience from our earliest nationhood sheltered by the Royal Navy has confirmed this and it has long been part of our foreign policy to support collective action, where it is judged to be in our national interest, by a group of like-minded countries or by the United Nations.

We cannot, however, equip separately or specifically for such purposes. In the absence of a particular task that would be both wasteful and foolish. Preliminary studies suggest a useful correspondence between the equipment required to operate in the South Pacific and that required to contribute to larger deployments. Range is the common factor; a long range is required for surveillance, maritime patrolling, air transport and deployment. In other words, once beyond the shores of New Zealand we need many of the same capabilities wherever we operate. Our defence structure is set for us by an environment that is largely maritime and by the need to deploy through and over it forces that are small, flexible and to the extent possible self-contained. But there is an important qualification. A force structured for inter-operability with Australia and our other allies will also be able to handle most South Pacific tasks. This is not true in reverse.

The Orion—A long-range maritime patrol aircraft

New Zealand's preferred strategy is therefore Self-Reliance in Partnership: to protect the sovereignty and advance the well-being of New Zealand by maintaining a level of armed forces sufficient to deal with small contingencies affecting New Zealand and its region, and capable of contributing to collective efforts where our wider interests are involved.

Of all our strategic options, this best acknowledges the breadth of our defence concerns. It is the only one which links the need for self-reliance in handling immediate national tasks with broader interests shared in partnership with Australia, the South Pacific and countries beyond, without attempting to predict the likelihood of any particular contingency. Because defence planning is long-term, it takes as its starting point more the permanent features that shape our strategic environment than the current international scene. In emphasising such obvious needs as flexibility and the ability to act at long distances it should enable New Zealand to cope with ancillary tasks such as disaster relief and Antarctic logistic support while maintaining the ability to provide worthwhile assistance to our treaty and other partners.

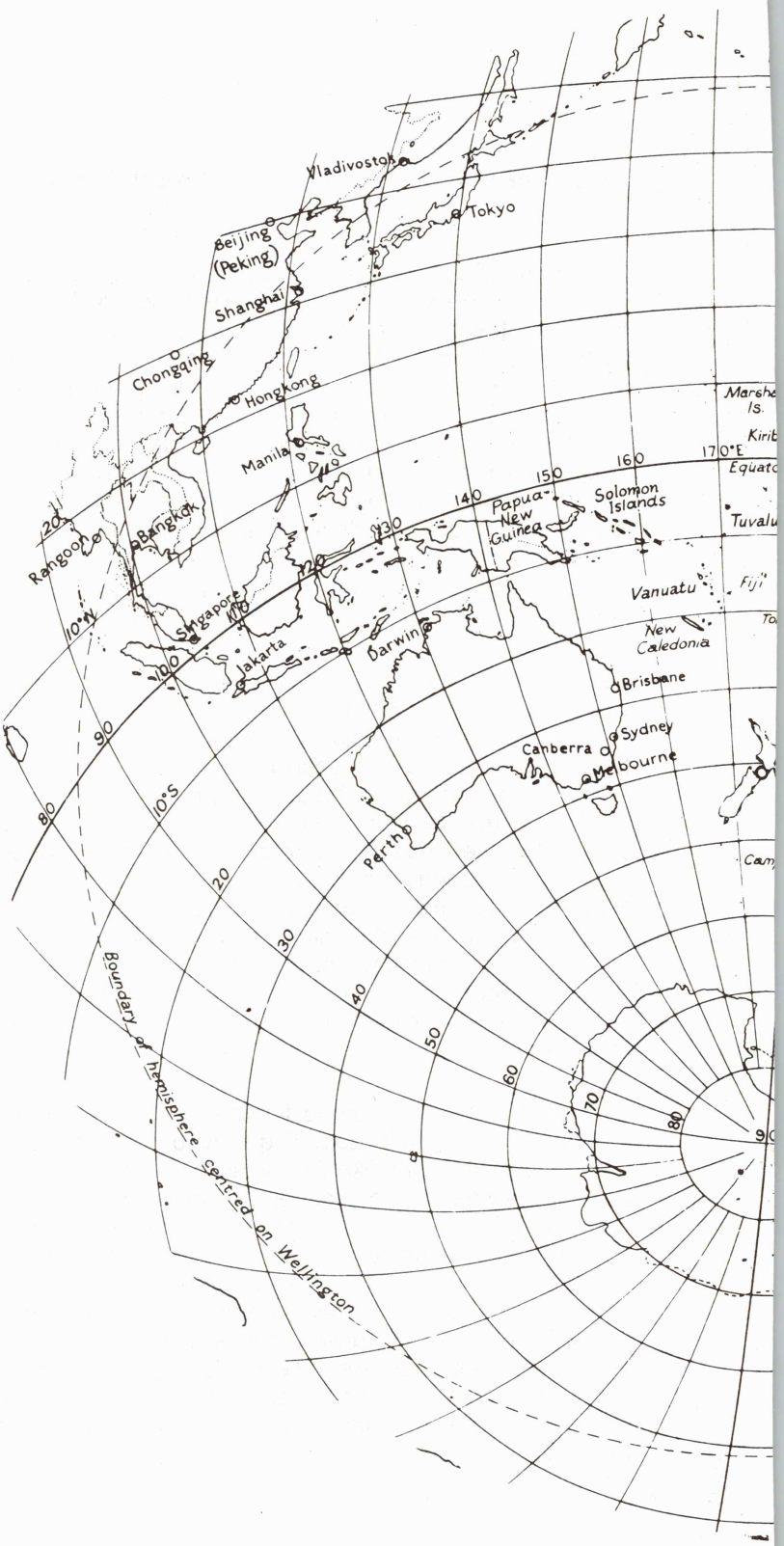
CHAPTER FOUR

THE CAPABILITIES NEEDED FOR NEW ZEALAND'S DEFENCE

Once Self-Reliance in Partnership has been selected as the strategy which best meets New Zealand's defence goals, the next step is to determine the defence capabilities which can put it into effect. This is not a straightforward deductive task, particularly when there is no direct threat to measure against. There is no definitive answer to the question of what constitutes an optimal force structure for a country. In the end it must be settled by political judgements based on fiscal priorities. There are, however, a number of methods which defence analysts can use to narrow the field and outline the defence capabilities which are most appropriate to a country's strategic circumstances.

Some favour net assessment. This means measuring the capabilities of an opponent against your own and identifying the gaps that need to be made good to achieve a credible defence. It does not work for New Zealand which has no such opponents. Others, for example NATO countries, can use commitments assessment. The defence commitments accepted by a nation shape the capabilities it must have to meet them. New Zealand has been frugal in its defence commitments and none of them, including ANZUS, imply any particular capabilities. Scenario analysis may be helpful where a country's strategy implies a number of possible scenarios and therefore the capabilities needed to deal with them. For a country with New Zealand's wide interests this would be imprudent; experience has taught us to plan for uncertainty. Countries that are both rich and pessimistic can use the worst-case approach in which strategic guidance outlines the worst situation for their defence forces. The capabilities which can deal with it are by definition adequate for lesser emergencies. For New Zealand, this would not be a credible minimum force.

The most suitable method for this Assessment is the task-oriented approach. This means deducing from our national circumstances the broad tasks which are likely to be asked of our defence forces, and the capabilities which will be needed to carry them out. This approach does not lessen the need to cater for uncertainty, but it does offer a systematic means of reducing the problem to a more manageable size. The ability of our existing force structure to perform these tasks is measured in the next chapter. The final chapter then identifies the mismatches for closer review. Working down from tasks is the most realistic approach for New Zealand. It covers the everyday duties carried out by the armed forces in support of our national interests as well as the ability to respond to defined contingencies, and avoids the artificiality of devising threats.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Darwin
Perth
Papua New Guinea
Solomon Islands
Vanuatu
New Caledonia
Brisbane
Canberra
Sydney
Melbourne
Marshall Is.
Kiribati
Equator
Tuvalu
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170°E
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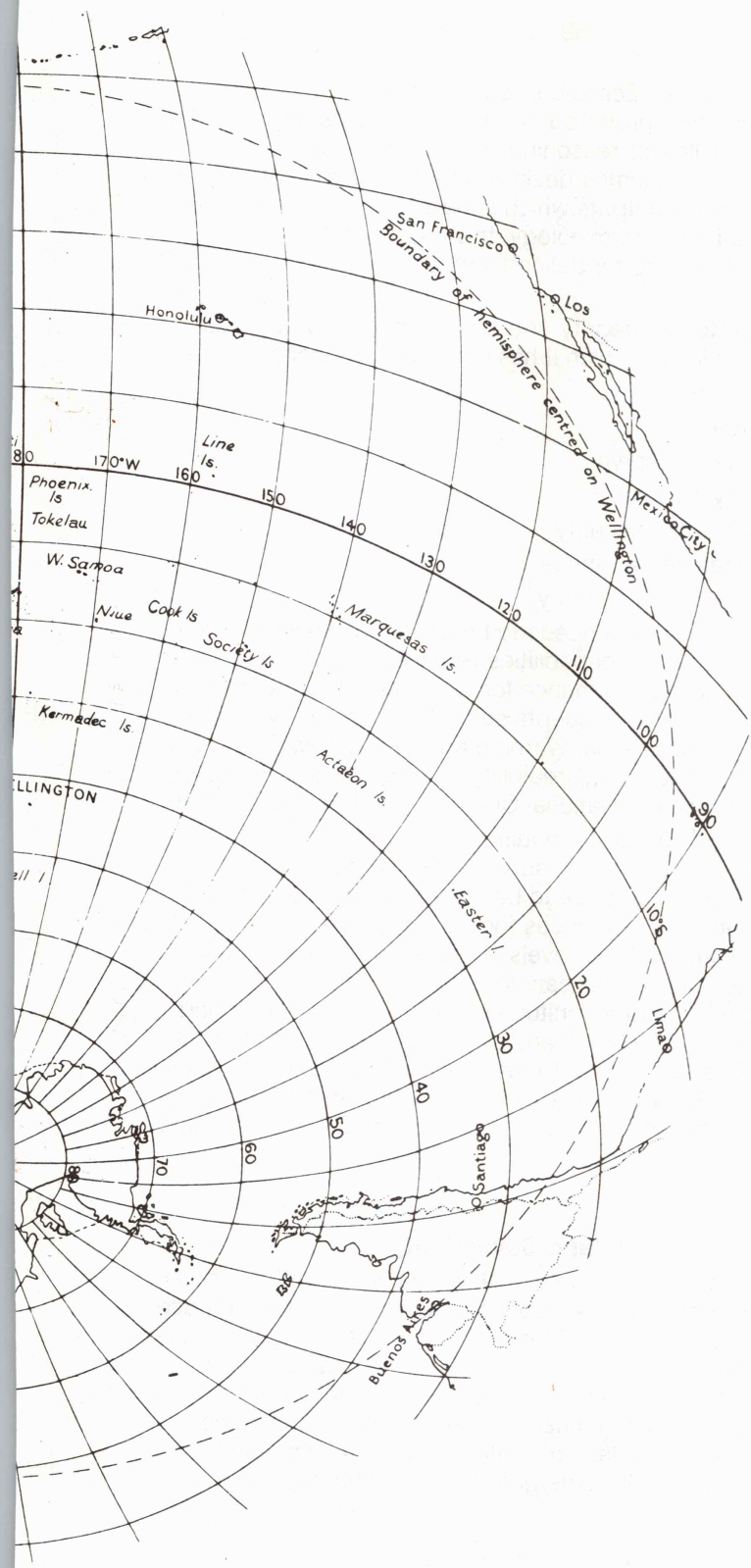
Boundary of hemisphere centred on Wellington


San Francisco
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Honolulu
Mexico City
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Phoenix Is
Tokelau
W. Samoa
Niue
Cook Is
Society Is
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Kermadec Is.
Actaeon Is.
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Lima
Santiago
Buenos Aires

An examination of New Zealand's strategic situation, interests, defence policy goals and preferred strategy suggests eight major defence tasks. Another line of reasoning can be used, starting with a definition of the defence outcomes desired by the Government and following these through to the outputs which should be purchased to meet them. With small variations in terminology, this produces the same eight tasks. The tasks can therefore be defined with some confidence as the ability to:

(a) protect the territorial integrity and sovereignty of New Zealand, and those countries for which it has constitutional responsibilities
(b) provide defence advice
(c) provide intelligence
(d) maintain a force-in-reserve
(e) provide ancillary services
(f) contribute to regional security
(g) participate in defence alliances
(h) contribute to collective security

Each of these tasks or outputs needs to be broken down into its components or sub-tasks, and the capabilities required to undertake each examined. The standard of performance for each can be further defined by using the defence planning concepts set out in Chapter Two. These include: Support for National Aims, Warning and Lead-times, Force Balance, Pursuit of Shared Interests, Credibility, Interoperability, Flexibility, Continuity of Commitment and National Command and Professionalism.

The level or amount of capability required for each task must be considered: a capability for maritime surveillance is obvious for New Zealand, but specifying the distance to be covered and the detail of the coverage will have huge consequences for the equipment needed. Putting tasks, planning concepts and levels together to define capabilities and force structure is complex. It rests in part on interlocking assumptions about the probability and magnitude of the risks to New Zealand's interests and the reaction of allies. If any of the assumptions change, so does the analysis. This Assessment must keep to the broad outlines, though the appropriate levels of capability is one of the important issues to be considered in the force element reviews detailed in the last chapter.

DEFENCE TASKS

To Protect Territorial Integrity and Sovereignty

Protecting the territorial sovereignty of New Zealand and those countries for which it has constitutional responsibilities is the prime purpose of maintaining defence forces. New Zealand is fortunate to have no visible or foreseeable threat of armed invasion. It is reasonable to assume that there would be a considerable warning time for an event of such magnitude, though governments must also be convinced of the need to act on such a warning. So the task of protection becomes primarily one of ensuring that no such threat emerges. Much of that has to do with

how well we manage the whole range of our international relations and interests. Alliances and collective security arrangements are an important part of this. Professional defence forces even if relatively small can make another contribution by providing a deterrent—making it clear that invasion will have costs for an aggressor—and a base upon which to build should our strategic situation deteriorate.

The more likely challenges to our territorial integrity are less grave but must still be blocked or controlled, ultimately if necessary by the use of the defence forces. They include violation of our customs or immigration laws, including landing contraband or illegal immigrants or refugees; trafficking in narcotics; infringements of our territorial waters or Exclusive Economic Zone to take fish or harm marine resources; and terrorist attacks on targets in New Zealand, its off-shore installations or associated island countries.

To deter or respond to these contingencies (the two are sides of the one coin and both need to be kept in mind), the New Zealand Defence Force (NZDF) needs to maintain force elements which can, at a minimum, detect, identify, monitor and if necessary intercept surface traffic in the maritime approaches to New Zealand. Whether through surveillance, exercises or other duties, the task of protecting territorial integrity also means being able to demonstrate a defence presence in New Zealand's maritime surrounds. Regular air and sea patrols are needed to provide a minimum protection for our off-shore islands, marine resources and gas and oil rig platforms. Capabilities are also needed to pursue and keep within sight (as required by international law) vessels found to be infringing New Zealand regulations, to compel them to stop and to send boarding parties.

In a time of international tension or crisis these capabilities might need to be enhanced. There are a number of ways in which pressure could be brought to bear on New Zealand short of direct attack. The possible range is as wide as the available technology. A threatening presence could be demonstrated by air or naval patrols in our waters, or terrorist attacks or covert raids could be mounted against New Zealand targets. Our geography and economy make us especially vulnerable to submarine or mining activity around our harbours and shipping lanes.

Submarines are designed for stealth and concealment. They can gather intelligence, lay mines and deploy or extract covert forces without a defender being aware of their presence or intention. Even the rumour or claimed presence of a submarine can disrupt shipping, force a disproportionate response to locate it, and put pressure on a government in a time of tension. Its large maritime environment exposes New Zealand to this kind of threat.

These considerations, however, need to be weighed against the foreseeable likelihood of submarine operations being directed against New Zealand. At present only the nuclear weapons states are capable of distant submarine operations and they are not seen as a threat to New Zealand. Some nations in or on the edges of the Asia-Pacific region are

developing limited submarine capabilities which are assessed as principally defensive in nature. On this evidence, the capability to conduct anti-submarine warfare to protect New Zealand's territory does not seem warranted. But it might be prudent to maintain a sub-surface surveillance capability, able to monitor shipping as well as submarine activity. An effective sub-surface surveillance capability requires a long lead-time to acquire the skills and integrate the naval and air elements. The capability may also be needed in combined operations with other nations.

Mines are an inexpensive and thus widely-available weapon which can be laid covertly by aircraft, ships and submarines. In times of tension, as has been demonstrated in the Gulf more than once in recent years, they can cause considerable disruption. At present there is no evidence to suggest that such a weapon might be used against New Zealand. This low risk must be weighed against the short lead-time needed to acquire a mine-laying capability usable at a distance, compared with the longer lead-times for developing adequate mine countermeasures. Since the technology of countermeasures is developing and hence expensive, there seems little reason for any major investment. A situation which has deteriorated to the point where mine countermeasures are an issue will almost certainly require air and land capabilities as well. It may be prudent, though, to maintain a minimum capability as a basis for timely development in response to a mine threat in a time of tension.

The most likely external threat to New Zealand territory, though by no means simple to mount, is terrorism. The main kinds of attack that need to be deterred or countered are the placing of explosive devices in aircraft, vehicles or buildings; the taking of hostages; assassinations or kidnappings of public figures; or attacks on key installations. Well-equipped and trained specialist forces need to be maintained at a continuous level of readiness.

Finally, there are the broad functions known as 'aid to the civil power'. New Zealand's defence forces are primarily an instrument of external policy. The responsibility for protecting citizens and their property within New Zealand, for upholding our laws and protecting our borders rests with civilian authorities such as the Police, Customs and Immigration Services and Civil Defence. However, if in a crisis the demands on them become too great, the NZDF can be tasked under the Defence Act 1990 with providing assistance. In the case of disaster, disruption to essential services or major threat to life and property, the NZDF must retain a general capacity to aid the government. This may include the use of its communications or independent logistic capabilities to provide alternative services and the use of troops to assist civil defence or the police. There is a need to maintain and routinely update contingency plans for responding to such calls, and to ensure that command, control and communications systems enable effective links to be established with other Government agencies.

To Provide Defence Advice

The effectiveness of New Zealand's defence force, like that of any other government service, depends on providing accurate, timely and expert advice to the Government. This task involves the research, analysis and preparation of Ministerial responses, Cabinet submissions, budgets,briefings, reviews, audits, assessments, and operational and corporate plans. Policy advice needs to be given for all defence activities including intelligence and threat assessments, the procurement of capital equipment, defence and strategic policy, force development, personnel, sustainment stocks, science and technology and land holdings and facilities. Professional military advice is required on the organisation, command, control, readiness and employment of the NZDF in its peacetime roles, and on the response to crises and contingencies.

Maintaining the quality of military advice means being able to recruit, train and integrate staff of a high calibre. But it implies more than this. Skill in the profession of arms means the ability to exercise command, and to give operational advice, at the level of the standard operational formations. The full number or range of units which traditionally make up these formations does not need to be maintained in a small force, but senior officers must have served or exercised in the command structures of larger forces. Not to learn these skills can be costly. The New Zealand Army lost many lives in 1941 because its commanders had exercised only to battalion level and had no experience of the problems of command at formation level. At this level, skills have to be acquired by the periodic participation of units, staffs and commanders in exercises, including those with allies, set at the operational level.

To Provide Intelligence

An important assumption in our defence planning is that for the reasonably foreseeable future there is no significant threat to New Zealand. This low level of direct threat allows us to concentrate on our wider security interests, and to maintain credible forces at a lower level than most other countries of a comparable size (for example, Singapore).

This assumption is safe only if we can be sure of sufficient advance warning of any unfavourable changes in our strategic situation. So although intelligence about our strategic situation may be handled and funded at the national level, the gathering and interpretation of intelligence is an essential military task. It has an important influence on the shape of the defence forces. Intelligence gathering capabilities contribute to at least five of the other defence tasks. Force elements carrying out maritime surveillance, for example, gather information, demonstrate a presence, assist island states to monitor their EEZs and may deter clandestine or illegal activities by raising the risk of detection.

Defence shares an interest with other external agencies in having timely information about events in other countries in the Asia-Pacific region, areas of tension and political, economic, social and technological changes in the world. It has a more specific need for information on

weapons development and proliferation, and changes in the defence capabilities, command structures and military intentions of other countries. Order of battle studies allow possible changes in the military balance to be assessed and may influence our own weapons procurement.

To carry out these tasks, Defence needs an analytical capability of its own for military intelligence, support from a national assessments organisation, reporting from defence representatives abroad, a capability for electronic intelligence gathering and for communications security to thwart the efforts of others, and an effective balance of naval and airforce elements for maritime surveillance.

It also needs, as far is as practicable within the present constraints, to take part in intelligence exchanges with our partners. Small size and remoteness limit the amount of intelligence we are able to gather by our national efforts to below that which is desirable for accurate policy-making. The difference has over the years been met by access to the much larger pool of information collected by our allies. Restrictions by the United States on our access have inhibited our national assessment capability. In one important respect they have increased the cost and lowered the effectiveness of our maritime surveillance. In the past information from others enabled our own surveillance to limit general patrolling and to focus on areas likely to be of interest to us.

In New Zealand's maritime approaches there may be a need to detect and analyse the patterns of movement by civilian shipping and naval vessels. The collection and examination of electronic signals from other naval and military units helps develop a picture of the military forces in our region and of their communications practices. Changes in these practices may signal more important events. In a time of tension the gathering of such information, extended to the detection and monitoring of submarines, may be needed to establish control of shipping in our approaches.

Operations by the NZDF and others require a database of geographic and infrastructural information. In practice our collection of data is confined to New Zealand and the South Pacific where operations for disaster relief are regular. The planning and conduct of naval operations depends upon detailed nautical information about currents, tides, bottom contours, the approaches to ports and anchorages and the facilities provided by them. Air operations require topographical and aeronautical charts, information on communications and navigation aids, airfields, refuelling and servicing capabilities for all territories which may be crossed. Land operations need accurate maps of land contours and features, and comprehensive information on infrastructure, such as transport, utilities, food and medical stocks, government buildings, national laws and customs.

Operations once under way demand more immediate information. This means more frequent use of air and maritime surveillance and additional intelligence gathering on the ground through covert and regular reconnaissance forces. In an operational deployment the value of the

information gained from these sources may be lost without secure communications and processing capabilities which allow the rapid dissemination of assessed intelligence to field commanders.

To Maintain a Force-in-Reserve

This task recognises the balance which has to be struck among force readiness, cost, warning times and the likelihood of particular contingencies occurring. For those which may arise at short notice, and for deterrence purposes, forces are required on full-time service and at defined levels of readiness. For those contingencies which occur less frequently, it may be more economical to retain the capability to respond at a lower level of readiness and in a part-time status.

A force-in-reserve can fulfil any of four uses. Most obviously, it can provide an expansion base to meet higher-level emergencies which may be beyond the capacity of the force-in-being. Secondly, it can retain certain skills which are not retained in the regular force because they are only required at times of major conflict. In New Zealand, for example, the naval volunteer reserve is tasked with the control of shipping at such a time. The force-in-reserve also provides back-up for the regular forces when they are deployed, supplying reinforcements, rotation of personnel and replacement of casualties. If the deployment lasts for some time, it will be the nucleus for the mobilisation of units to relieve those first despatched. It constitutes a reserve of trained and disciplined personnel who can be called out for national emergencies, such as disaster relief and civil defence.

To Provide Ancillary Services

This task is not a determinant of force structure. There is a set of capabilities inherent in defence forces which may be used for purposes not directly related to defence. That is to say, force elements procured and retained for other defence tasks are available to provide a range of ancillary services for the community in New Zealand, the South Pacific and beyond. These include helping civil defence in New Zealand, disaster relief in the South Pacific, search and rescue services, policing of the EEZ, support for the Antarctic research programme, medical evacuation, ceremonial duties for state functions and support for the cadet forces.

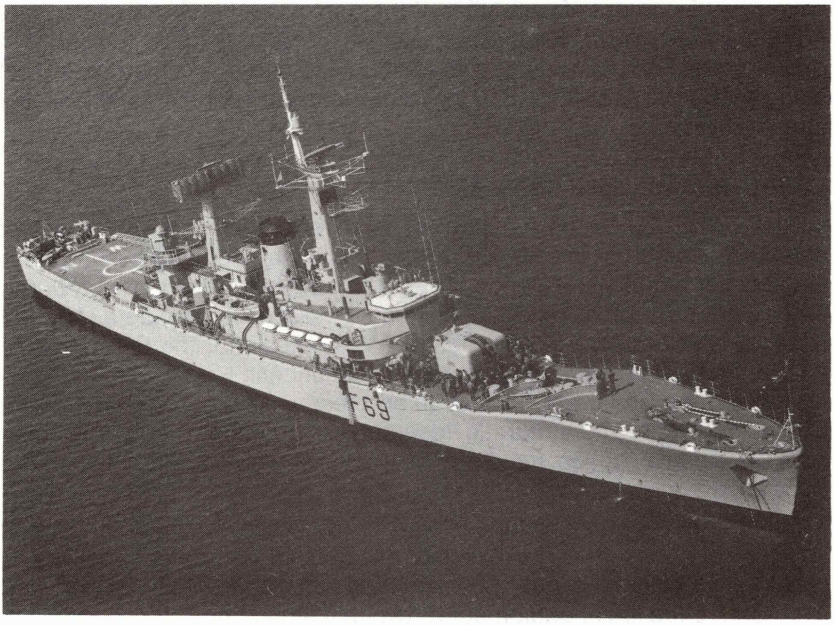
A credible minimum defence force by definition meets the need for ancillary services from its existing assets. No separate capability is required. But carrying out such services can use "consumables" and may reduce the life of equipment between maintenance. There is a cost, usually a hidden one, which must be met from the Defence budget. Some of the services, such as monitoring the EEZ or search and rescue might be more economically met by other agencies or even commercially rather than by using sophisticated aircraft intended for military roles. On the other hand there are important benefits for a defence force in providing these ancillary services. Quite apart from the goodwill gained in a community which does not normally see much of its defence

force, experience is gained in places where future operations may occur and teamwork and leadership are tested in arduous and possibly dangerous situations.

To Contribute to Regional Security

New Zealand has a vital interest in the security of the region which includes the South Pacific, Australia and South East Asia. This is recognised by the treaty obligations, including ANZUS, which focus on the region and by the close cultural, ethnic and constitutional ties we have with some member countries. Three of our defence policy goals aim to contribute to this regional security: to provide defence assistance and development aid; to provide operational forces capable of deterring and if necessary responding to contingencies requiring military action; and defence support for our special relationship with Australia.

Defence assistance, though important for New Zealand's interests, does not require any special capabilities. It does, however, impose costs, primarily for additional training billets, instructors, training stocks and other materials. There are benefits, too, such as closer relations with other forces and the experience gained from operations in the region.



Leander Class Frigate HMNZS Wellington.

New Zealand's major contribution to regional security is to maintain capabilities which signal our commitment to respond to threats to this security. The signal itself promotes strategic stability. Deterrence in the region requires an effective presence. At a credible minimum this is best

achieved through air patrols on surveillance missions, complemented by regular port visits by ocean-going naval vessels and land force exercises.

In the South Pacific there are few security threats which, except for a major strategic deterioration, might require a military response from New Zealand. There are, however, three situations which might call for a limited deployment of forces: the need to evacuate New Zealand nationals; a terrorist threat or attack; and requests for assistance in dealing with low-level threats to law and order.

The capability to evacuate nationals includes deploying to the threatened location, assisting in gathering evacuees at a point of embarkation, possibly securing and protecting the embarkation point, and transporting the evacuees to safety. Since it is unlikely that only New Zealand nationals would be affected, responsibility for evacuation would most likely be shared with other forces, particularly those of Australia.

In the event of a terrorist incident which a South Pacific Government assessed as beyond its ability to resolve, the counter-terrorist and explosives disposal capabilities maintained for the protection of New Zealand might be needed.

Beyond these tasks, prudent planning requires the operational and logistic capabilities to respond to possible low-level contingencies, although any decision to do so would always be a matter of the most careful political consideration.

Developing the capability to deploy a sizeable force to every Pacific island is not warranted. Such a capability would require considerable investment in logistics and transport to meet an unlikely threat. Few disturbances on the smaller islands and atolls would call for a major deployment, though the requirement for a smaller deployment should be kept in mind, for example in considering the size of future naval helicopters. An acceptable level of risk has to be set. The desired capability is therefore defined as the ability to deploy in force into those islands which have seats of government or significant centres of population.

Shared interests with others farther afield in the Asia-Pacific region remain strong. New Zealand has had long and valuable defence associations with Malaysia and Singapore. Bilateral relationships with other ASEAN nations, notably Thailand and Indonesia, have also been strengthened. To underscore the importance of these relationships, it is necessary to retain the capability to mount operational deployments to South East Asia and to continue to provide reciprocal training opportunities.

By reason of its geographic position and close ties, New Zealand has a special relationship of defence cooperation with Australia. Within the overriding aim of maintaining a balanced set of capabilities for New Zealand's national goals, those force structure options which improve cooperation with Australia will have greater weight. This does not mean tailoring the NZDF to fill gaps in the Australian Defence Force (ADF) force structure, but it does mean that New Zealand's defence capabilities cannot be developed in isolation from Australia's.

To Participate in Defence Alliances

For New Zealand, as for other countries who combine a wide spread of security interests with small size and resources, membership of defence alliances has been a logical response. By taking part in such arrangements, whether formally by treaty or informally through shared outlook or interests, we have been able to spread the defence burden by working with other nations who have common security concerns.

There is a price to be paid, even in peacetime, for this form of group insurance. Treaties and alliances work only if the members are satisfied that each is bringing a useful increase in strength and is making a contribution commensurate with its economic circumstances and the risks it faces. Few treaties attempt to define what is an appropriate contribution; a certain flexibility is felt to be wise. Yet there is clearly a bottom line below which a country has ceased to make a worthwhile contribution, and the judges of this are not the country concerned but the other members of the alliance.

To underwrite New Zealand's membership of such arrangements, therefore, the NZDF must develop and retain a range of force capabilities which will be seen by our partners as credible and adequate. Again, this must be a matter of judgement, but the following requirements help define the credibility of our forces:

- good military skills. Since alliances by their nature deal with threats which are beyond national resources, participation in them means maintaining some ability to assist at the higher levels of conventional conflict at which the alliance would be invoked. If the NZDF is to be regarded as a credible participant, it must be able to exercise in some proportion of the likely tasks to a recognised professional standard and if necessary make a useful contribution to them in time of war.
- unit size. We must maintain force elements of a minimum functional size. If a unit is not of a size recognised in the force structures of alliance partners, it cannot easily be integrated into combined formations.
- interoperability. Force elements which have common logistics and employ common doctrine and communications considerably reduce the problems of coordination and support (as was shown by the RNZAF's recent operations with the RAF in the Gulf). Such elements are thus more welcome in alliance operations and less expensive than those which require separate support. This also has implications for technology levels. The NZDF does not need to compete at the forward edge of military technology, but it does need to keep its capabilities at a technological level which allows them to be broadly interoperable with allies.
- capability for self-defence. Force elements may need to be able to contribute to the land, air or sea defence of an allied force. Naval combatants which do not have basic protection against submarine or missile attack may have to restrict their span of operations. In a combined force they might have to be protected

by others and could become a liability. Similarly, land forces without biological or chemical protection, low-level air defence and anti-tank capabilities might also be a liability.

- exercises and consultations. Our security arrangements do not specify the level of contribution expected of us. ANZUS itself calls for the maintenance of a capacity to resist armed attack, implying combat capabilities, but it does not say anything about their size. However, the pattern of combined exercises, unit and individual exchanges and periodic consultations which have grown out of these arrangements gives some indication of the level of contribution regarded as adequate. Since the breach with the United States the indications have become more muffled, and depend largely on Australian views.

To Contribute to Collective Security

If diplomacy or deterrence fails the common good may need to be defended by military force. Contributions to this force may be made within an alliance framework; more often, in New Zealand's experience, it has been made with Australia in a temporary coalition of like-minded countries. Either way, collective security is a policy we have formally supported for over fifty years and instinctively throughout our history. It still applies. It recognises both our obligations as a world citizen and the fact that we share our more distant interests with other countries and can best protect them together.

To support this policy the NZDF needs to be able to provide the Government with a flexible, reasonable and usable range of force options for contributing to an international force. This may be a UN force for peacekeeping, as, for example New Zealand's contribution to monitoring the Iran-Iraq border, or to counter aggression, as in Korea. Or it may be expressly sanctioned by the UN, as in the Gulf coalition. Outside the UN the Charter allows members to join together to promote their collective security. New Zealand has done this sometimes under the Commonwealth, as with the Commonwealth forces which defended Malaysia and Singapore during confrontation and the Zimbabwe truce monitoring force; sometimes under treaty, as with the SEATO commitment to Vietnam.

In peacekeeping *missions* NZDF members serve primarily as unarmed monitors and observers. Peace-keeping *forces* usually help carry into effect a negotiated settlement. Their duties may include the patrolling and maintenance of ceasefire boundaries; monitoring elections; assembling and disarming combatants; screening and resettlement of refugees; supporting a transitional administration; training national military forces; and making areas safe by clearing mines or training others to do so.

Peace-keeping forces involve both combat and logistic force elements. The requirement is usually for infantry, armed for self-defence, with secure, independent and rapid communications and transport. They need to be supported by stand-alone logistic systems, particularly

where the ravages of conflict may have destroyed much of the country's infrastructure.

The UN practice is to seek more technically-specialised services from developed countries, such as engineering support, transport, logistics and communications. As with other collective responses, units need to be of a recognised size which can fit easily into larger formations. And because warning times are usually short, they need to be maintained in the force-in-being.

Combined operations to repel aggression require much the same capabilities as are maintained and exercised in alliance membership. The nature of any conflict which demands international cooperation will be at the mid-to-high level, and the sufficiency and credibility of any NZDF contribution will be governed by the same factors of interoperability, unit size and self-defence. In circumstances where a presence is required which simply recognises New Zealand's participation, logistic force options (such as ground and air transport elements, engineers, signals, medical units) may be the most appropriate contribution. Where combat units are called for, credible force options should be available, preferably ones which limit the risk of New Zealand casualties.

CHAPTER FIVE

THE PRESENT FORCE STRUCTURE

If New Zealand was designing its defence force afresh, if it was starting with a blank sheet of paper, the eight defence tasks and the capabilities they require would be the architect's sketch-plans. In a rough fashion they point towards an optimal force structure.

But we do not start with a blank sheet. There is a long trajectory to defence policy. The aims can be altered quickly but they take some years to work through and reshape the defence structure. Defence equipment lasts a long time, especially for a country like New Zealand which has preferred maintenance and modification to capital replacement. Most of our defence equipment is old and decisions will soon have to be made about future investment. Any assessment starts with a force in being, amid the clutter of earlier decisions. The development of a credible minimum force will be an evolutionary process, showing results over time and of course never finished. It must take as its starting point the existing force structure.

It would be wrong to regard this force structure as outdated. Most of it fits the constants of our situation very well. Where it does not the reason has often been the need to economise. The suitability of the existing force structure will be assessed by measuring it against the eight defence tasks. The relative value of each force element (such as frigates, transport aircraft, infantry battalions) can be judged by the contribution it makes to one or more of these tasks. Analysis of this kind should help avoid questionable judgements by relating equipment decisions not to what is being replaced but to the tasks to be done. The essential force elements, and the best buys, will be those which best contribute to one or more of the eight tasks at a level which is fiscally sustainable.

How well our existing capabilities fit can be measured in a number of ways:

- the most basic test is the ability of each force element to contribute to the tasks.
- the value of a force element is increased by the extent to which it can contribute to the performance of more than one task, or provide more than one input to a task. Within obvious practical limits, the "multi-role" character of many of our units or platforms is a key to economy and flexibility in a small defence force. Larger forces can assign a single specialised role to each type of aircraft or naval vessel. For New Zealand it is important that each major unit or piece of equipment contributes to more than one task.
- the credibility of force elements, meaning that they can perform to the level required and that the cost is sustainable.
- the degree of interoperability, the extent to which each force element can contribute to a combined operation with other forces.

- the contribution which each element makes to a balanced force structure.

There are other factors to be taken into account in evaluating the present force structure. Because they are the most visible, attention is often focused on the major equipment and weaponry. They are often regarded as sufficient evidence of the capability to perform particular tasks. This is not so. The ability to meet a given task is a combination of weaponry, skilled manpower, doctrine, operating stocks, reserves, training equipment, and repair and support facilities. Matching force elements to defence tasks means considering the fit of all these parts.

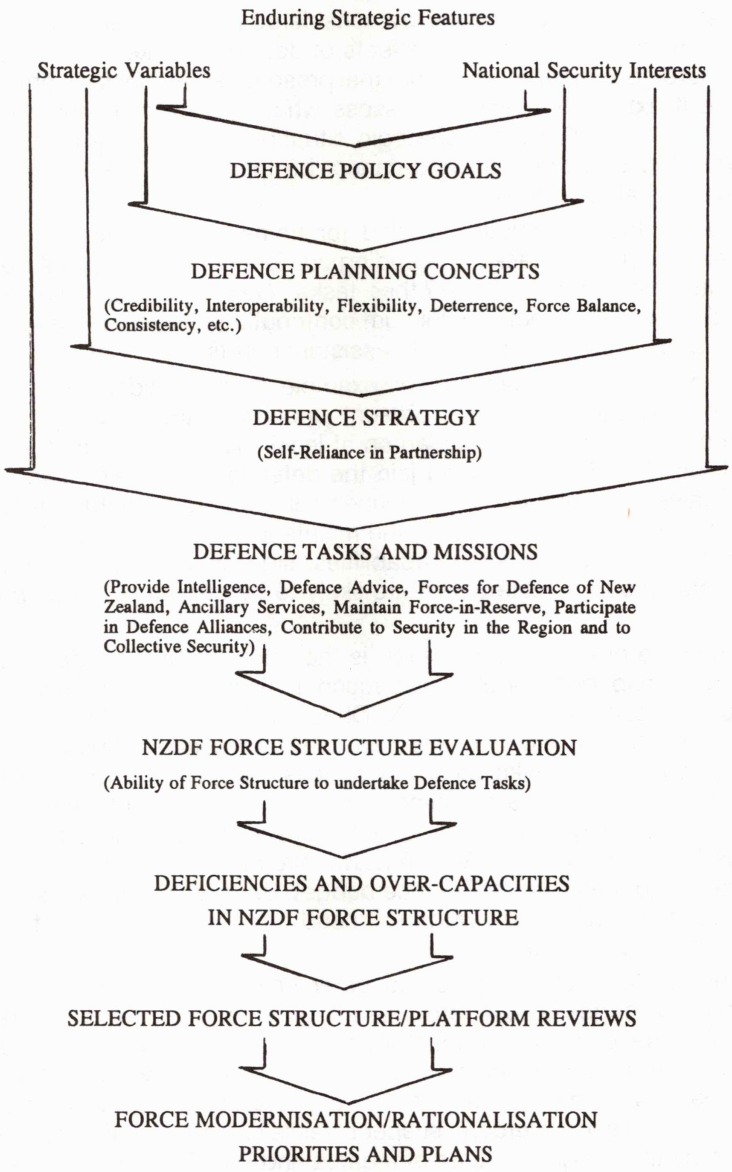
Another major factor is force size. A greater value has to be given to multi-role capabilities, often at the expense of the edge given by more specialised platforms, if the small NZDF is to be able to respond to the range of calls made on it. Its size also means that there are few major force elements, for example four frigates, six long-range maritime patrol aircraft, seven heavy transport aircraft, two infantry battalions and a maritime strike squadron. This economy in numbers and equipment types has a penalty. Downgrading the priority of a task does not automatically translate into major savings if the same equipment is still needed for other tasks. To put it simply, discarding one of the tasks of a frigate does not mean that its hull can be shortened or its operating costs significantly lowered. For a small force, the price of flexibility in roles is a certain inflexibility in responding simultaneously to the demands of other tasks.

The ability to sustain a force on operations has also to be considered. Sustainment means both the replacement of manpower and equipment, and the supply of operating stocks. Manpower replacements can largely be met from the standing forces not deployed or, in larger emergencies, from the force-in-reserve. Maintaining the supply of operating stocks could be more difficult. The NZDF holds stocks for operations lasting a short time. In the past it relied on multinational agreements to meet the demands of more prolonged operations. This has become less certain. Holding large contingency stocks may not be necessary, but the right level of stocks for a credible minimum force needs to be examined.

The present force structure can be evaluated in one of two ways. One starts with the individual force elements, scoring each in terms of its contribution to one or more defence tasks. The other, followed here for consistency, takes the tasks as the starting-point and measures the contribution made to their performance by existing elements in the NZDF. The aim is to highlight where there is a case for scrutinising the contribution made by a particular force element. Among the deficiencies there may be insufficient capacity; inadequate readiness or sustainability; or cheaper ways of doing the task. Over-capacity includes the retention of elements which make a weak contribution to a task; maintaining a higher level of capability; or a higher state of readiness than seems warranted. The force elements that fall into one of these categories are the "mismatches". They are set down for the more detailed scrutiny defined in the last chapter of this Assessment.

The line of reasoning from strategic guidance to force planning is shown diagrammatically below.

THE LINKS BETWEEN STRATEGIC GUIDANCE AND FORCE DEVELOPMENT PRIORITIES


Enduring Strategic Features
Strategic Variables
National Security Interests
DEFENCE POLICY GOALS
DEFENCE PLANNING CONCEPTS
(Credibility, Interoperability, Flexibility, Deterrence, Force Balance, Consistency, etc.)
DEFENCE STRATEGY
(Self-Reliance in Partnership)
DEFENCE TASKS AND MISSIONS
(Provide Intelligence, Defence Advice, Forces for Defence of New Zealand, Ancillary Services, Maintain Force-in-Reserve, Participate in Defence Alliances, Contribute to Security in the Region and to Collective Security)
NZDF FORCE STRUCTURE EVALUATION
(Ability of Force Structure to undertake Defence Tasks)
DEFICIENCIES AND OVER-CAPACITIES IN NZDF FORCE STRUCTURE
SELECTED FORCE STRUCTURE/PLATFORM REVIEWS
FORCE MODERNISATION/RATIONALISATION PRIORITIES AND PLANS

DEFENCE TASKS

To Protect Territorial Integrity and Sovereignty

The primary task for the NZDF, as with all armed forces, is to maintain professional forces of a size and capability which can deter potential aggressors against New Zealand's territory and sovereignty. (New Zealand's obligations to those South Pacific countries for which it has constitutional responsibilities are considered under the task of contributing to regional security.) The effects of deterrence, like those of prayer, are hard to estimate. This and the present remoteness of any threat make it extremely difficult to assess what is a sufficient force for this purpose. New Zealand's strategic situation, unlike Australia's, means that defence of the homeland cannot be the central reference point in assessing all capabilities.

For us the low priority needed for home defence means that the reverse is true: the task of defending our territory is largely met from the maintenance of forces for other tasks. New Zealand, however, still needs to make a credible minimum contribution to its own defence if it is to expect others to come to its assistance in times of crisis.

Membership of alliances, for example, has considerable deterrent value. ANZUS, even in its present uncertain state, means that any potential aggressor has to plan on at least the possibility that Australia and the United States would join the defence of New Zealand. Forces maintained to participate in alliances also therefore contribute to New Zealand's own security. So do the maintenance of effective intelligence gathering and surveillance capabilities, signalling to an opponent that preparations for hostile action are likely to be detected and responded to.

The core of this task, however, is the retention by New Zealand of a minimum capability for offensive action, making it clear that hostile acts would exact a price. Within the NZDF force structure the force elements which contribute most to this capability are a general-purpose naval force which can make available at least two frigates at operational states of readiness; a maritime patrol squadron; an infantry battalion group as a ready reaction force; a maritime strike and close air support squadron equipped with A4K Skyhawk aircraft, and the force-in-reserve. All are major items in the Defence budget. Because the threat is remote, any assessment of their worth will need to consider the extent of their contributions to other tasks.

The NZDF is also required to deter or respond to more likely but lesser challenges to our territorial integrity, such as raids, incursions, illegal presence in our territorial waters and resource-poaching. Meeting these calls for forces which can carry out surveillance of our maritime approaches, demonstrate a defence presence in these waters and where necessary intercept suspect vessels. These duties are undertaken by the integrated force of frigates and P3K Orion long-range maritime patrol aircraft and strike aircraft. Additional detection may be electronic, through the capabilities maintained by the Government Communications Security Bureau, the Land Force Signals Squadron and

A Skyhawk combat aircraft fires a Maverick missile.

naval and air units. The Ready Reaction Force including the Special Air Service Group (SAS) is kept at readiness levels adequate to counter any raid or incursion on to New Zealand territory.

The NZDF has a restricted capability for sub-surface surveillance. All frigates are fitted with hull-mounted sonars which can detect activity only at close quarters. A tactical towed array which provides a powerful long-range detection capability has been purchased for trialling and the ANZAC frigates will be fitted for but not necessarily with such arrays. The acoustic and magnetic anomaly sensors on the Orions are old and difficult to maintain, reducing the effectiveness of the aircraft in that role. Anti-submarine warfare is a capability which should be reviewed. It is doubtful that anti-submarine weaponry needs to be held for the defence of New Zealand, but the ability to monitor sub-surface activity needs to be considered.

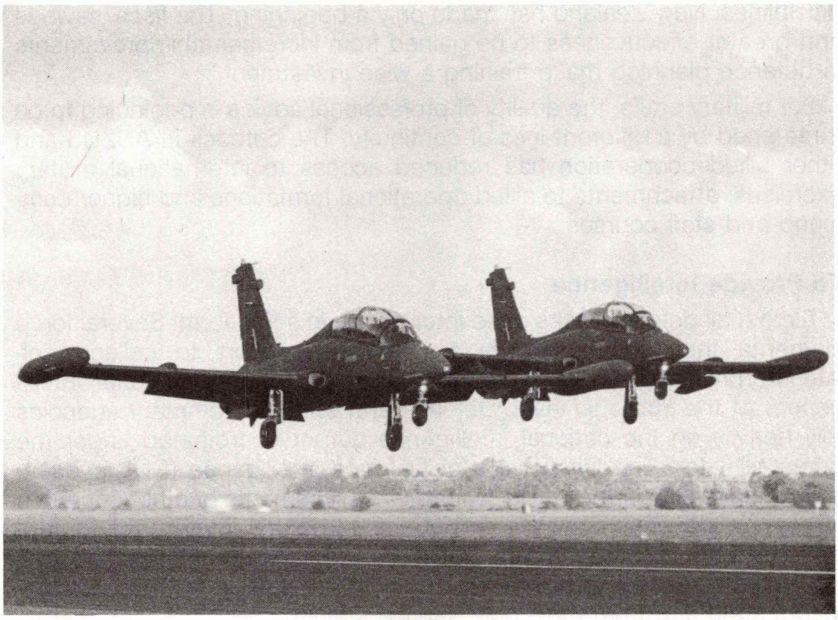
The NZDF is capable of limited mine clearance operations. It has an operational diving team and diving tender for other purposes. The Naval staff keeps a data base on mine warfare. The Naval hydrographic service has completed some of the surveys needed for effective mine countermeasures. Precision navigational equipment, sidescan sonar and remotely operated vehicles, however, are not held in sufficient quantity to maintain accurate surveys of all harbours and approaches. As a precaution, the need for a somewhat greater mine countermeasures capability should be reviewed.

Deterring and countering terrorist threats require specially trained and equipped forces at high states of readiness. The NZDF maintains

Research Ship HMNZS Tui

counter-terrorist teams within the SAS. They are trained for fast, covert action to disarm terrorists. They are supported with dedicated ground transport and rigid inflatable boats which can be air-dropped from C130 Hercules transport aircraft. Members are also parachute-trained and can be deployed from helicopters. For high risk bomb searches and disposal, Engineer and Ordnance teams have been trained and equipped. The diving team and tender of the Royal New Zealand Navy (RNZN) can deal with explosives under water. Frequent exercising and close liaison with the Police mean that the demands of these tasks are well-met by these force elements.

Aid to the civil power requires more general capabilities, including the preparation of contingency plans and ensuring effective means of communication with other Government agencies. The capabilities inherent in the existing force structure include: a formed body of disciplined and, if necessary, armed personnel; medical and military police units drawn from all three services; construction engineers; kitchens and emergency accommodation; an air movements organisation; ground transport able to cope with large numbers; and various airlift assets. Contingency planning is conducted by the Joint Planning Group in NZDF Headquarters and supported by the service operational headquarters. Plans for civil defence and other contingencies involving the disruption of essential services are routinely updated.



Two of the Royal New Zealand Air Force's new jet trainers, the Macchi MB-339C, take off at RNZAF Base Ohakea.

To Provide Defence Advice

The central defence organisation is expected to provide accurate, timely and expert advice to the Government on all the defence aspects of national security. This means advice on a broad array of strategic, operational, international, political, technological, economic, social and legal issues. Good quality advice across this spectrum of topics depends on a sound organisational structure and on the training and retention of good military and civil staffs.

The organisational upheavals of the past two years have seriously affected this capability. A defence structure based on competing authorities has led to unproductive jurisdictional disputes. The separation of military and civil staffs has hindered the pooling of experience which other defence ministries find essential. In a field where balance of advice is important, each side is deprived of the knowledge and experience of the other. As a result, the preparation of key planning documents has been delayed and the formulation of advice made unduly complicated.

For civilian staff, continuity has been lost. Building up an experienced staff takes time. Greater efforts will have to be made through exchanges and academic secondments to build up the knowledge base and research skills of policy staffs. In Australia and elsewhere strategic assessment,capability analysis and force development are advanced

disciplines. New Zealand has made only a beginning. The fiscal savings and greater effectiveness to be gained from incremental improvements in defence planning make training a wise investment.

For military staffs, the quality of professional advice is beginning to be threatened by a different loss of continuity. The cutback in ANZUS and other allied cooperation has reduced access to international military exercises, attachments to allied operational formations and higher command and staff courses.

To Provide Intelligence

Almost all defence tasks need intelligence in some form. Several force elements therefore contribute to the NZDF effort to collect, collate,interpret and disseminate both strategic and operational intelligence. At the strategic level, Defence and other Government agencies rely heavily on the national intelligence output coordinated under the Prime Minister. The Directorate of Defence Intelligence (DDI) concentrates especially on the "order of battle" assessments of other country's forces, on weapons analysis, and on infrastructural intelligence to support operational plans. It contributes to and receives information from the External Assessments Bureau (the Government's national assessments staff) and from the single service staffs.

Information gathered by the NZDF on our maritime region comes primarily from air patrols by the Orion force. These aircraft are fitted with surface surveillance radars, with an additional limited capacity for air surveillance. Sub-surface capability is fading. Skilled aircrew are scarce and the aircraft themselves are ageing and becoming increasingly costly to maintain.

Both the frigates and the patrol aircraft can detect, monitor and intercept vessels. They are, however, complementary. Patrol aircraft provide breadth of coverage and rapid response, but are obviously unsuited to boarding operations. A ship covers less area in a given time, but can remain on station for extended periods and can provide boarding parties. Ships and aircraft together form tactical units in which the effect is greater than the sum of the parts, but each is necessary to the other to bring about this force-multiplying effect.

The third leg of the surveillance has been intelligence exchanges with our friends. In the past information from others enabled our own surveillance to limit general patrolling, which given the size of the South Pacific is less likely to yield results, and to focus on areas likely to be of interest to us. United States restrictions have increased the cost and lessened the effectiveness of our patrolling.

Each of the three services maintains specialised equipment and capabilities for gathering operational and tactical intelligence. There is, however, a lack of night observation equipment and light helicopters for the land force. Past reliance on externally-sourced information has inhibited the development of a coordinated defence capability. Much of the information is not collated and disseminated in a form readily usable by the other services. Linkages between the services' intelligence staffs and

the DDI are not fully developed, there is a shortage of trained analysts, and the DDI itself is under-resourced. Yet in future operations, whether undertaken independently or with Australia, the demand for intelligence will be substantial. The peacetime preparation of data bases will be vital to the planning and conduct of such operations.

To Maintain a Force-in-Reserve

There are two types of reserve forces. The first are volunteer forces, recruited from the community to serve on a part-time basis. The second comprise regular and territorial force members who on completion of their service are required to serve as inactive reserves liable for recall for a set period of time. Each service has its own approach. The RNZN does not retain reserve forces as a "surge" capacity because its force structure—a small number of expensive ships—is manned full-time. Four naval volunteer reserve units are maintained, each equipped with an inshore patrol craft to maintain basic skills in seamanship. A limited survey capability to support mine countermeasure operations is in train. The RNZNVR also operates the Naval Control and Protection of Shipping (NCAPS), tasked in times of tension with reporting, tracking, routing and coordination of shipping under the Radford-Collins Agreement.

The largest body of volunteer and ex-regular reservists is held by the Army. The Territorial Force (TF) is built mainly around the units for an Infantry Brigade Group including armour, artillery and engineer support, some integral logistic support units and a Force Maintenance Group (FMG). The three infantry battalions for such a force are provided from the six regionally-based Territorial infantry battalions. The Brigade and FMG provide the framework for a balanced combat force capable of sustained low-level operations. They also form the skeletal outline for training and expansion to meet prolonged or higher-level contingencies, and are tasked to reinforce various elements of forces when these are deployed.

In the RNZAF reserve personnel are not organised into specific units. Some carry out specialised duties such as air traffic control. The main purpose of the active reserve is on occasions to supplement the regular force in the performance of particular tasks.

The reserve forces have a long history which is still reflected in their structures and missions. Mobilisation in its 1939 sense is less relevant to our present strategic circumstances. More thought needs to be given to the best use of reserves. For example, the specific role of the force-in-reserve in supporting the standing brigade and its part in providing a broader expansion base should be examined in greater depth. Computerised records and carefully-judged incentives can (as the United States has done and Australia is doing) widen the scope for using reservists to break the bottlenecks which always constrain the expansion of modern forces. They can be used to provide key skills, such as surgery, needed by the forces in an emergency and to make better use of those completing their reserve liabilities.

To Provide Ancillary Services

The NZDF's military capabilities can be used to provide a number of services to the Government and the community. Aircraft and sometimes frigates are used to patrol and monitor New Zealand's EEZ. Support is given to the Antarctic Research Programme through Hercules aircraft, Iroquois helicopters, aircraft maintenance, cargo handling and fire-fighting teams, and the provision of base facilities. Other transport services include VIP flying.

Technical advice and engineering support is given to other Government and civilian agencies. In civil defence emergencies in New Zealand and natural disasters in the South Pacific the resources of the NZDF can be brought to bear rapidly, not only in repair work but in communications, catering, tents, transport and medical assistance. Almost the whole range of force elements can be called out to search for missing vessels, aircraft, survivors at sea or on land and to evacuate casualties in an emergency.

Support is provided (the unseen organisation as well as the gleaming ranks) for state, national and other ceremonies, for royal and vice-regal occasions, for visits by foreign heads of state and other important visitors. Lastly, the NZDF furnishes instructors, administrative assistance and guidance to the New Zealand Cadet Forces.

Carrying out these non-military tasks is often seen as a sensible use of forces otherwise unemployed in peacetime. And so it is in many cases, providing training opportunities and community goodwill. But there are costs, for the life and maintenance of military equipment and in diversion from other tasks. The cash cost of these ancillary services is not insignificant.

To Contribute to Regional Security

The simplest but by no means unimportant contribution is defence assistance. It offers a means of building on shared strategic interests and of demonstrating NZDF capabilities to our neighbours, whether in Australia, the South Pacific or South East Asia.

The NZDF has mutual assistance programmes with five of the six ASEAN nations and with the Cook Islands, Papua New Guinea, the Solomon Islands, Tokelau, Tonga, Vanuatu and Western Samoa in the South Pacific. Defence training is the chief purpose, either in New Zealand or in the host country to which NZDF training, technical or advisory teams may be sent. In the South Pacific force elements also provide assistance with charting, surveillance of EEZs and some engineering, medical and dental services.

The main force elements involved are units of the Land Force (including infantry, engineers, medical and dental teams), transport aircraft, long-range maritime patrol aircraft, strike aircraft and the frigates and survey ships. Apart from the cost, no separate provision has to be made for defence assistance. The capabilities required are all retained for other purposes. There are costs, but it seems clear that the advantages

to New Zealand of closer defence ties with ASEAN and South Pacific countries make defence assistance good value for money.

For the evacuation of New Zealand nationals from a country in the region, our capability for independent action is confined to "defence-assisted" evacuation, presupposing comparatively safe entry and embarkation. The range of force elements which make up this capability include transport aircraft, utility helicopters, troops from the Ready Reaction Force, ships, rear-link communications and terminal and air-loading teams. Most evacuations are likely to be combined operations with Australia or others.

An infantryman on exercises takes aim behind his Minimi gun

Being able to respond to "low-level contingencies" is a key contribution to South Pacific security. The Ready Reaction Force is available for such contingencies. The maximum force available, at graduated degrees of readiness, is an infantry battalion group of up to 2000 personnel, including mortars, light artillery, armoured reconnaissance vehicles, engineers and logistic support. The force can be configured in various ways. These range from a small group of lightly-armed soldiers (for example, manning vehicle checkpoints) to a battalion-sized group capable of low-level counter-insurgency operations, either independently or as part of an allied force. At least one infantry company is parachute-trained and communications can be maintained between New Zealand, deployed headquarters and operating forces. A squadron of SAS can provide additional reconnaissance. The RNZAF and RNZN

can deploy parts of the force to most areas of possible operations in the Pacific. These services can also support land operations with utility and naval helicopters.

There is, however, a gap in our transport or force projection capabilities. The ability to deploy and sustain a force in the South Pacific depends on adequate air and sea transport. Our current airlift capability may not be sufficient for even limited low-level contingencies, and we have no dedicated sealift.

Possible ways of closing the gap need to be reviewed. The 1987 Defence Review identified the purchase of a logistic support ship—probably a converted merchant ship—as a further and essential part of our ability to mount effective operations in the region. Subsequent studies have considered a specialist ship, with landing craft and medium helicopters, which might cost around $240 million. Such a ship exceeds the credible minimum and the cost would erode the capabilities needed for other tasks. The difficulties which might arise on smaller islands and atolls do not demand deployment and sustainment at this level. We have defined the desirable capability earlier as the ability to deploy in force into those islands which have seats of government or significant centres of population.

The characteristics of the South Pacific will be an important factor in considering the future of our ageing air transport capability, and of our naval and utility helicopters. There will always be a need for military transport to carry such bulky items as helicopters or heavy equipment, but it is not necessary for all the aircraft required to meet a surge effort in an emergency to be held on inventory. It may be practicable, and would be much less expensive, to set up contingency arrangements enabling the NZDF to charter commercial aircraft or vessels in an emergency. Studies have been made into the possibility of using "ships taken up from trade". They should be updated and extended to aircraft with a view to preparing firm plans later this year.

South East Asia makes other demands on our transport and deployment capabilities. Although the former New Zealand Force South East Asia has been repatriated, a small staff in Singapore continues to help arrange regular deployments by elements of the NZDF to land, sea, air and joint exercises in the region. Some of these deployments have been reciprocated by force elements from some ASEAN countries which value the training space and opportunities offered by New Zealand. There is also the possibility of contributing to peace-keeping in Cambodia. The main NZDF elements involved are the RRF, the frigates and the maritime and strike squadrons. Air transport is, of course, essential to covering the distances. In addition, under mutual assistance programmes New Zealand provides technical and other professional training for selected candidates from the region; the nature and quality of our training schools are important contributors to these defence relationships.

In most circumstances, in the South Pacific and elsewhere, it is reasonable to assume that New Zealand forces will be operating with units

of the Australian Defence Force (ADF). The closeness of the relationship with Australia and our shared strategic interests also make it likely that the NZDF would join in a combined response to any threat to the security of Australia itself. Although no government can make binding commitments in advance, this probability and the defence cooperation with Australia which increasingly reflects it will be important in considering changes in the NZDF's force structure. Force elements likely to be viewed as worthwhile contributions in current Australian planning include: the frigates, utility helicopters, Orions, Skyhawk maritime strike and close support aircraft, Scorpion armoured reconnaissance and M113 armoured personnel carrier squadrons, a regular infantry battalion, compatible artillery, construction and field engineer squadrons and medical units.

A Scorpion armoured reconnaissance vehicle on field exercises near Waiouru.

To Participate in Defence Alliances

Alliance relationships are wider than defence. They presuppose common interests and thus government-to-government exchanges in many fields. They may lead to cooperation on international issues, at the UN or in smaller groupings; there may be shared economic interests. Common practices may develop in areas such as the transfer of technology or sharing of intelligence. In military affairs they will usually imply acceptance of common standards, procedures and doctrines. In addition to alliance relationships New Zealand participates in a number of bilateral

and regional defence cooperation arrangements, including the Five Power Defence Arrangements.

An essential practical element is joint training and exercising. Most of the major force elements in the NZDF contribute to this task:

- the frigates possess sufficient speed and endurance (now supported by a fleet tanker) to take part in alliance exercises based on scenarios of mid-level warfare. Some limitations, however, are showing up. The frigates have been modernised over different periods and the sensors and weapons fit of each is different. The two operationally-ready ships may not always be the most suitable contribution. Recent experience has demonstrated a much greater need for self-defence. The frigates have obsolescent close-in weapon systems for defence against missile attack and their hull-mounted sonars have a poor ability to detect submarines at distances which allow an effective response. And the ANZUS rift has diminished their ability to operate in an alliance setting in terms of interoperability of doctrine, communications and data for ship, missile and submarine detection.
- the Orion aircraft can undertake missions of reconnaissance and surveillance, warning and protection for friendly naval forces, and escorting and directing offensive air support aircraft. Together with the frigates they participate in annual maritime and integrated air defence exercises under the Five Power Defence Arrangements, and contribute to an array of exercises with Australia and other allies. Obsolescent acoustic and electronic sensors, and lack of data link, have reduced their ability to participate effectively in anti-submarine exercises.
- the Skyhawks also contribute to regular FPDA exercises. They are capable of carrying out maritime strike, close support of land forces, battlefield air interdiction and tactical reconnaissance missions. A detachment is currently based in Australia to provide "opponents" against which Australian forces can test their air defences.
- for air-land exercises, the medium and long-range Hercules and Boeing transport squadron can airlift forces to and from the exercise, and together with the utility helicopter squadron provide operational airlift needs. The load capacity of the Andovers is limited and they require separate New Zealand-sourced logistic support.
- most combined exercises for land forces outside New Zealand practise skills for mid-level warfare, at formation level. Limitations on funding mean that many New Zealand contributions to such alliance exercises are made at the battalion or company level. A battalion-size contribution is made every year to FPDA brigade-level and other bilateral exercises. Alliance partners participate in New Zealand exercises; for example, company-sized groups from Australia, the United Kingdom, Malaysia and Singapore take part annually in Ready Reaction Force exercises.

A Hamel 105 mm light gun firing during exercises at Waiouru.

Close interoperability is needed with Australian force elements. Collaborative procurement—the ANZAC frigates, the Steyr family of weapons, the Hamel 105mm gun—help this. So do the routine exchanges of service people with Australia, keeping the NZDF informed on developments in Australian operational and logistics doctrine. There is scope to develop further the sharing of training and other operations within the national defence goals of each country. Service personnel are also trained, despite some inhibitions caused by the ANZUS differences, on staff and operations courses in the defence forces of Australia, the United Kingdom, Canada and the United States. New Zealand remains a member of a number of technical and standardisation agreements.

In broad terms the major force elements in the NZDF continue to be credible contributions to alliance memberships. New Zealand's role has historically been that of a small participant. Sufficiency of participation was often measured simply in the fact of participation itself. But in terms of professional skills (and in the end perhaps lives), the lower level of participation in alliance exercises has reduced our familiarity with up-to-date doctrine and lengthened the work-up time for any future participation in combined operations. It has also removed the most effective measure for checking the standards maintained by our forces.

To Contribute to Collective Security

The New Zealand Government requires a flexible range of options for this task which covers a range of contingencies from peace-keeping to

contributing combat forces for conventional warfare. Its demands are therefore especially hard to foresee. Peace-keeping commitments will come from forces maintained for other purposes. We do not hold units specifically configured and equipped for peace-keeping duties. Unlike military operations, where a balance between combat and logistic forces is essential, peace-keeping often calls for a much larger support element. The UN is more likely to seek such elements from New Zealand. Because there is normally a limited warning time, contributions will have to be made from the force-in-being. Where peace-keeping forces are called for, possibilities include: Hercules transport aircraft, utility helicopters at flight level, ground transport, a medical unit or support team, a signals squadron, and electrical and mechanical engineers and construction engineers at squadron level. Small fixed-wing aircraft detachments may also be useful, as the Andover contribution to UNIIMOG demonstrated. These are the minimum unit sizes for integration into a peace-keeping force. Lesser-sized elements would have to be amalgamated with those of another country, as was done with the engineers contribution to UNTAG in Namibia, with a consequent loss of national profile and influence.

Three RNZAF Iroquois utility helicopters.

The scale of contribution needs to be carefully weighed. The shallowness of the NZDF's sustainment base places limits on what is possible. For example, supplying a deployable unit of construction engineers would require almost the entire retained capacity of that element. The

same applies to major platforms. The detachment of two Hercules aircraft to the Gulf required the back-up of almost all the remaining aircraft in that small squadron.

A broader range of force elements can participate in multi-national forces for collective security operations. The actual contribution will depend on the degree to which New Zealand's interests are engaged, the nature of the conflict, the military capabilities of other coalition members and the warning time. Three kinds of contribution from the existing force structure would have the most useful application in operations at the mid-level range of conventional warfare. The first is logistic support, including many of the capabilities which are also relevant for peacekeeping. The second are those capabilities which depend more on weaponry than on manpower. These include close air support aircraft at squadron level, frigates with or without the fleet tanker, and artillery at battery or regimental level. The third category of possibilities is both weapons and manpower intensive: for example, an armoured reconnaissance squadron, or an infantry battalion possibly supported by an armoured personnel carrier squadron.

There are some constraints to be borne in mind. Even mid-level combat is becoming increasingly complex and expensive. Larger countries than New Zealand are finding it more and more difficult to keep up. Our choice of militarily useful contributions has narrowed and will continue to narrow. For example, the lack of effective close-in weapons systems on the frigates hinders their self-defence and consequently their value in mid-level warfare. Our small sustainment base is also a limitation, as it is with peace-keeping. Nonetheless, the need to support New Zealand's wider interests means retaining some minimal capabilities which can play a useful part in multi-national forces.

CHAPTER SIX

PLANNING AND FUNDING

The eight defence tasks define what needs to be done to meet New Zealand's defence goals. Efficiently performed, they should provide the results or outcomes—greater national security—which the Government expects from its defence budget. The tasks themselves are generic. They will not change much over time, though as circumstances alter so will the mix of capabilities and force elements required to carry them out. Since they describe the essentials of New Zealand's defence, they are the logical foundation for future planning and funding.

The tasks have been derived from the earlier strategic analysis. They are the means by which Defence protects New Zealand's external interests. But financial management analysis gives the same eight, expressed as the output classes the Government needs to buy to get the national security outcome it wants. The strategic tasks are in fact the budget outputs. They should become the organising principle for future defence budgets: the sum of the cost of the eight tasks/outputs will be the operating part of the defence vote.

There are some technical problems. The tasks are broad and some are much more expensive than others. They would, in financial management language, need to be equated with classes of outputs; the sub-tasks described in the previous chapters would become individual outputs. To give an example, the first task, "To protect territorial integrity and sovereignty", will take a much larger share of the funding than the second, "To provide defence advice". As an output class it might include such outputs as:

- deterrence against threats to New Zealand's territorial integrity or sovereignty
- expansion of the force-in-being to meet medium- or higher-level threats
- detection, identification and monitoring of surface activity in our maritime approaches
- interception and boarding of vessels infringing our sovereignty
- demonstration of naval and air presence in the maritime approaches, and land force presence on off-shore islands
- sub-surface surveillance of the maritime approaches (subject to review)
- hydrographic survey of New Zealand's approaches, harbours and ports
- route surveys of major New Zealand ports
- detection and clearance of mines in major ports and approaches (subject to review)
- maintenance of data base on mine warfare technology
- maintain capability to deter and counter terrorist activities

- assistance to civil communities in times of crisis, disaster or disruption to essential services
- contingency plans and provision of aid to the civil power.

An indicative listing of all the sub-tasks or outputs derived from the eight generic tasks is included at Annex Two.

Moving to task-based outputs will have important implications for Defence's accounting system. Each of the tasks/outputs will have to be costed. The costs captured by the existing computer-based accounting system reflect the present force structure. That system looks back rather than forward and is thus less desirable than a task-based approach. Nonetheless, with all its shortcomings, the present set of outputs has made possible the move to an accruals form of appropriation. Changing to task-based costings shifts the emphasis away from the force structure. It means allocating the costs of each force element—for example a frigate—across all the tasks to which it contributes.

The new system will require the costs of the several hundred cost centres in the NZDF to be allocated to force elements and then to capabilities. This is now possible under the Government's new financial accounting methods. Then the capability costs will be apportioned to each of the tasks they serve. The allocation process will, at least in the beginning, involve some subjective judgements. Some time will be needed before reliable data is provided for management and financial reporting. As a cross-check, the costed tasks/outputs will probably always need to be supplemented by costings for the individual force elements and capabilities. Otherwise, to continue the example, the total cost of a frigate would be lost from the system.

Nevertheless, a simple choice has to be made. Costs can be recorded either against assets, such as force elements, or against tasks. The approach taken by this Assessment favours tasks, as does the Government's financial reforms. When the costings settle down, the Government will be able to cost what the NZDF is *doing,* and not what it *is.* Over time this will exert a significant influence on the shape of the defence force. The present interim classification of outputs—into frigates, Orions, Skyhawks and so on through all the force elements—tends to freeze the existing force structure. Concentrating on tasks as outputs means that proposals for a new platform will be examined for the contributions it can make, rather than being seen as a "replacement" for what is being phased out.

PLANNING

Until late 1989 Defence maintained an Indicative Defence Resource Plan (IDRP) which projected input resources over one, three and fifteen year horizons. This planning process was upset by increasing fiscal uncertainty, the separation of planning in the new defence organisation, changes in Government policies on defence, and the introduction of accrual accounting. Replacing it with a process adapted to the new environment is essential.

Looked at simply as a business, defence has some complex features. Although it is manpower intensive it depends on quantities of capital equipment to carry out its tasks. These capital assets may range from a large number of small, relatively low-cost items, such as rifles, to a small number of large, often very high-cost items, such as aircraft or frigates. Many of the items have useful lives of up to twenty years, but sophisticated weaponry or platforms may have several expensive upgrades during that time. Since warfare is an insatiable devourer of technology, replacements or changes in capability can cost considerably more and result in a periodic lumpiness in cash payments.

A careful planning process is needed to ensure that funds and the required capabilities are available when called for. For example, a complex series of interwoven plans is required for the two ANZAC frigates, to cover crew and equipment readiness as well as construction and financing. This programme from its beginnings to the commissioning of the second frigate will span well over a decade.

The planning process should give the NZDF and the Government greater confidence. Both will be able to track expense against the desired outputs or capabilities. With this information, the NZDF can seek adjustments in good time if the two tracks begin to diverge, while the Government should feel sure enough of the direction to confirm its commitment for the longer term. The result should be a better relationship between Ministers and their armed forces, better morale in the forces and better performance.

For the best allocation of resources, annual, medium and long-range plans need to be developed. They should cover operating and capital costs and give special attention to the costs and numbers of defence personnel.

Annual Corporate Plans

It will be important each year to validate the defence core "business" against the outcomes desired by the Government, and to reassess the relevance of the eight tasks/outputs and in particular their smaller subsets. Any changes that result should be incorporated in the strategic business statements and the budget for the next planning year.

This strategic statement, prepared by the NZDF, will confirm the purpose and core business of defence, the tasks and objectives to be accomplished during the plan year, and the strategies to be adopted to do this. It will be an authoritative statement of corporate policy, promulgated throughout the organisation by budget direction.

The annual planning process must also work the other way. All accountable managers need to report upwards and in detail on the strengths and weaknesses they see, the objectives for the budget year, and the strategies to be applied to remove the weaknesses and achieve the objectives. All managers of cost centres will prepare these plans in accordance with the strategic statement. Their reports should be considered and agreed at each accountable stage in the chain of command, and be subject to chief executive approval.

The operating and cashflow forecasts and the balance sheet movements can then be prepared for the budget year, using a zero base. This process has already begun. Zero-based budgets for each cost centre ensure that inefficiencies are pushed out of the system where they begin. They maximise outputs at the working level and hence give a better grip on task or major output costs. All budgets should be critically reviewed at each point of accountability and then consolidated into one set of statements for scrutiny before submission to the Ministers of Defence and Finance.

Medium and Long-Range Plans

The existing three-year plan should be supplemented by plans drawn up each year for five and twenty years. The more detailed three-year plan, like the corporate plan, includes operating statements, balance sheets and cashflow statements. The indicative five and twenty year plans will reflect the need to think ahead in defence investment.

The starting-point for the plans will be the costs of the eight tasks to be performed, together with the impact of any expected operating or capital changes to the force capabilities. Planned changes might include those in levels of readiness, sustainability, reserves, rationalisation of facilities and asset replacements, additions or disposals. Action can then be taken in good time. For example, an early warning of large payments due in particular years will allow the development of the appropriate cash management strategies by the Government. A great deal of planning time is needed to determine the appropriate dates for equipment or capability changes, but without these forecasts the defence force could hardly manage either consistency or efficiency in meeting its tasks.

FUNDING

The basic funding for the NZDF is provided by the Government. Fixed and current assets, and current and contingent liabilities, have recently been transferred to defence management. Operating and capital costs are provided annually by appropriation in the Defence Votes.

The measure for the annual funding will be the credible minimum force required to meet the eight defence tasks or outputs. If the costings should exceed the Government's ability to fund, or if it should wish to contract defence spending in future years, then options should be provided to allow the Government to choose which tasks, capabilities or force elements should be modified. The longer the lead time for this process, the more effective the result. Sudden cash squeezes requiring quick savings risk unbalancing the force. Time for planning should provide a smaller but still balanced organisation which can carry out its tasks, though at a reduced level.

Financial management reform in the public sector, although still being put in place, has opened the way for better management of the defence

budget. Getting the most out of it will require some working modifications. Defence as a "business" has some distinctive characteristics—the long-term nature of its planning and investments, the difficulty of valuing its military assets, and the need to equip for contingencies which may not occur for years if at all. The nearest comparison is perhaps the insurance business. The logic of the new accounting and appropriation methods needs to recognise these characteristics. There are both problems and opportunities in this.

The Problems

(1) *The handling of depreciation.* Under the new system the Government pays each year a sum in cash to cover the depreciation of the NZDF's assets. In theory, the amount of depreciation funded annually should provide over time for the replacement of those assets. In practice, using the present formula, this seems highly doubtful. Technically, provided there is compensation for the ageing nature of the assets acquired, the depreciation method approved for Defence could provide adequate replacement funds if the asset base were revalued on a regular and frequent basis. But the acceptability of these revaluations of military assets would need to be carefully weighed, particularly if the net realisable value of the assets was significantly less than their carrying value.

The result is likely to be a permanent shortfall, due to the effects of inflation and the demands of technology. International military technology values performance above cost. Like is seldom replaced with like in the defence business. New weapons and platforms are almost always more sophisticated and therefore more costly than those they replace. When the replacement cycle is up to twenty years the financial effects can be daunting.

(2) *Backlog depreciation.* If assets are revalued at regular intervals, using the modern equivalent assets replacement method, and if technological and other changes result in substantial increases in the value of the asset base, then significant adjustments may need to be made to the accumulated depreciation balance to bring it up to a level consistent with the revalued asset base.

To put it more plainly, most of the NZDF's major assets are old and nearing the end of their useful life. Funding their replacement from depreciation over the short life left to them will not be practicable. To give a hypothetical example: suppose Defence wished to replace its transport aircraft in 1994. The three years' accumulated replacement value depreciation would provide a fund of less than 15% of the cash outlay. Much of the shortfall in the purchase price would be caused by backlog depreciation.

The conclusion seems plain: depreciation, even over the years, will never be sufficient to fund the NZDF's capital requirements. Periodic capital injections will be needed from the Government, either as a regular contribution to the annual depreciation fund or by topping up or even fully funding large items of capital expenditure as they arise.

(3) *Proceeds of sales.* At present there is a major disincentive to rationalising defence assets and maximising the return on them. The proceeds of the sale of any surplus assets are in part retained by the Crown or deducted from the defence budget. This seems a holdover from the old cash accounting system, when the Government controlled inputs of cash rather than purchased outputs of performance. It certainly does not motivate defence managers to minimise their holdings of property and other expensive "non-core" assets, or to manage their asset base in the most efficient way. The process of asset rationalisation has so far been severely limited by this hidden impediment. It is an important "mismatch" with the new financial logic and should be reviewed.

(4) *Cashflow lumpiness.* Most of the goods and services purchased by the NZDF are paid for from the annual appropriations. Major new equipment or replacements can place a severe strain on cash flow. Some organisations accumulate sinking funds to even out the payments but this is probably not practical for Defence. In the private sector, of course, cash is obtained from a pool of circulating funds comprising share capital, retained earnings, working capital and borrowings. There are analogies here which may be worth considering.

As the owner of the defence business, the Government will from time to time have to help with large capital expenditure. Proper incentives for asset management should encourage defence managers themselves to shift out of under-performing assets and to reinvest the cash in higher priority needs. It may also make sense to look at special financing alternatives, such as leasing and vendor financing. Both are new approaches and would require Government approval under the Public Finance Act.

Leasing non-core and sometimes core assets is a financing method used in the private sector to even cashflow commitments. If they are to be properly accountable for resource management, defence managers should be free to contemplate this type of financing. The key consideration is whether the real financing costs are more or less than those of the Government. At one extreme of cost, leasing could be used for aircraft, as is common among airlines, or ships. The present defence build-down by Western countries may offer opportunities. At the other extreme, there are everyday matters of accommodation or transport. Some defence assets might be sold and then leased back; there seems no reason why the ownership of some camps and bases could not be held outside the NZDF.

Some assets or facilities which are needed infrequently or only in emergencies may be borrowed, hired or leased from the private sector. Arrangements on price, capability and availability can be agreed in advance and kept alive by regular contact and exercises. Such assets will give only partial satisfaction compared with purpose-built equipment. But three-quarters of the capability for a low fee may be more realistic than meeting the high costs of specialised assets which are not fully used. It could provide the solution to our problems of logistic support in the South Pacific.

Vendor or private sector financing of large purchases can also smooth out annual cashflows while the equipment is at work, contributing to the defence tasks. At the time of purchase the asset would be recorded in the books of the NZDF while the associated liability and financing payments would be managed by the New Zealand Debt Management Office. As with leasing, the key issue with tax-efficient funding ought to be the net cost of interest and foreign exchange risk compared with the costs to the Government.

There are catches to vendor or supplier credits. The cost of the transaction may be loaded to enable a financing interest rate to be offered which appears to be very reasonable. On the other hand, many countries provide their exporting companies with subsidised financing facilities to encourage sales and foreign exchange earnings. An experienced negotiator should be able to discern whether a transaction would provide real financing benefit to the NZDF, enabling a purchase to be made because the payments can be spread.

The Opportunities

The inspirational saying is right: problems can be opportunities, as the suggestions for new financing strategies have shown. But there are also a number of clear opportunities which are worth careful consideration.

(1) *Review of non-core activities.* The core activities of defence are those which are essential to meeting the defence tasks and over which defence must have total control. Non-core activities can be defined in management language as those where ownership by the defence forces is not essential to the delivery of the outputs required. In military language the distinction can be made between the deployable assets—those which the forces must have to deploy and to fight—and the non-deployable which are not needed in a combat or combat-support role and therefore could be owned or supplied by others.

In practice there is considerable blurring of the boundaries between the two, but the distinction is useful in analysing the opportunities for cutting costs. The NZDF has already carried out an initial review of non-core activities. The pre-requisite for making the changes is providing the incentives—or rather removing the disincentives—for those who run the defence cost centres. Once the incentives are right, a progressive scrutiny can begin and a cost/benefit analysis done on all the present non-core activities.

Some tasks may be more cheaply done by civilians than by uniformed personnel who must at least in part train for other duties. Some may be better privatised or contracted-out. Many non-core assets may not need to be owned by the NZDF or even held by it. These calculations of costs and benefits can only be done within Defence, by those who are familiar with the issues and who can weigh savings against security, deployability and other professional considerations. But this kind of detailed incremental search may over time produce significant savings for redirection into core defence investment.

(2) *Shared activities.* A number of countries which share defence interests with New Zealand are contracting or freezing their levels of defence investment. Where practicable the sharing of equipment with friends could delay or avoid the purchase and replacement of assets. The obvious candidate for further sharing is Australia. To the extent that both sides of the special transtasman relationship are fiscally pressed, it makes sense to explore further the possibilities for some pooling of equipment or training and support facilities.

(3) *Meeting the fiscal challenge.* In the past few years the Government's fiscal deficit has put considerable pressure on the public sector. Defence has had its share of the contraction. In real terms, its vote has been reduced by about 20% below the level of 1986/87. It is the only major Government agency which has a lower appropriation than it had two years ago. New Zealand has been taking its peace dividend ahead of everyone else. But current pressures foreshadow a further fiscal contraction.

Hitherto the reductions have been absorbed across the defence organisation, shedding personnel, deferring maintenance and reducing the performance of tasks. Further reductions mean intensifying the search for real savings and efficiencies. They will require innovative management practices, setting out to maximise output efficiency by finding new ways of delivery. Some of the opportunities and obstacles to change have been discussed in this section. The more successful the search, the more funds can be applied to maintaining the force capabilities and elements that are the purpose of the NZDF.

Making the most of the possibilities opened up by financial management reform, and the adaptations recommended in this Assessment, will put heavy demands on defence managers. Training for command and for budgetary management are rather different matters and expecting defence professionals to do both risks compromising the quality of both. Commanders at all levels are conscientiously immersing themselves in business management and combining the two roles with some success. But there is a limit to this flexibility. Otherwise we risk raising a generation of officers who may be colonels in the counting-house and accountants in the field.

A long-term training programme is already under way to support managers at the cost centre level, and to ensure that they can establish effective zero-based budgeting. Meantime, at the higher level of management it might be worthwhile for the NZDF to buy in the appropriate financial expertise. The expense of this (though not negligible) will be more than offset if Defence can take more systematic advantage of the possibilities opening up.

Only time will tell whether maximising savings will be enough. If not, then capabilities must be reviewed. This means examining the tasks/outputs and the sub-tasks with a view to adjusting or eliminating those that contribute least. There is an understandable reluctance to accept this—once dropped, a force element demanding high professional skills may be hard to rebuild. But it is preferable to continuing to

accept a loss of performance across the whole of our defence capabilities.

Alternatives should be presented to Cabinet, outlining the consequences for the outcomes desired by the Government. The decision must be its responsibility. It is the Government which is purchasing the defence outputs and the Government which is responsible for the defence of New Zealand and its interests.

CHAPTER SEVEN

THE WAY AHEAD

Reviewing defence should be a continuous task. It means constantly adjusting the trajectory over the twenty years of the planning cycle to ensure that investment is matched to the desired capabilities of the credible minimum force. The broad policy framework needs to be examined by periodic defence assessments. Within that, there should be an on-going process of adjustment and rationalisation, driven by internal mechanisms rather than by outside reviews.

It is a basic principle of this Assessment that the process of continuous review can best be done from within. Experience has shown the limits of external efforts to direct the process of change. Occasional scrutiny by outsiders cannot get at the level of detailed, incremental change that is needed to squeeze costs and get sustainable economies. Attempts to rationalise Defence's property holdings by telling the NZDF which bases it needs and which it does not have proved unworkable. A different approach, working from the inside out, may give better results. Continuous pressure is needed, over hundreds of cost centres, from defence managers who have the knowledge, if they are given the incentives, to make the most sensible decisions.

The Defence Assessment aims to start this process. Its recommendations, if accepted, should open the way for a rolling scrutiny of costs by defence managers. But the pre-requisite for starting the process is the removal of some important disincentives which hitherto have effectively if unintentionally held back rationalisation. At present some of the incentives are perverse. Closing a base requires investment. However much he or she is exhorted to rationalise, no sensible manager is going to invest funds from a shrinking defence budget in order to sell a base with the result that up to half the proceeds are removed from Defence.

The first and most important task identified in this chapter, therefore, is the need for an urgent review of government policy on incentives. The aim is to open the way for better use of defence assets, looking constantly to shift out of the lower-performing ones and reinvest in those which better support our required defence capabilities. It means finding ways of encouraging defence managers to look to maximise effectiveness in delivering outputs rather than to maximise their budgets.

It is generally agreed that there is scope for economies and greater efficiencies in base rationalisation and in alternative ways of handling the non-core business of defence. It would be unwise to guess at the level of savings which may be achieved. They will come incrementally, over several years in the case of large property sales, and the impact will be in their accumulation rather than in any individual sum. But the savings are there, and the amount could in the end surprise us. They are the first step in shaping a defence force that is fiscally sustainable in today's economic climate. If they are inadequate, the next step must be to look at some force elements and the capabilities they provide.

The earlier analysis of the present force structure identified some possible "mismatches" which should be examined in greater detail over the next few months to determine whether the present level of capability is the right one for New Zealand's credible minimum force. In some the levels may be too high; in at least one case, air and sealift capacity in a crisis, there is a deficiency. It is necessary to evaluate and better measure these mismatches against the eight defence tasks, and to do so within a stated time-frame. Completion of these studies is in effect the third part of the Defence Assessment 1991.

LIST OF REVIEWS

The reviews recommended to be carried out over the next six months, and the times proposed for their completion, are:

(1) Incentives for Rationalisation of Assets. (30 June)

(2) Air Combat. (31 August)

(3) Land Force Reserves. (30 September)

(4) Maritime Surveillance and Anti-Submarine Warfare. (31 October)

(5) Air and Sea Transport. (31 October)

The Assessment also comments on several issues which, though not listed with these major reviews, should nonetheless be examined as part of Defence's work programme over the coming year. They include:

(1) Mine Countermeasures.

(2) Naval Control and Protection of Shipping, and the role of the RNZNVR.

(3) Naval, utility and light helicopters.

(4) Self-defence for naval and land forces, of a minimum standard necessary to contribute to combined operations.

(5) Levels of Operational Stocks.

GUIDELINES

With perhaps the exception of the first, on rationalisation, there are several factors which need to be considered in each of the major reviews. Because they form a checklist common to all, they can be set out as a preamble to the individual studies:

Mix of Capabilities. There is an important qualification on the value of individual capability reviews, when taken in isolation. They are designed to measure the degree of overlap or underlap in a specific capability. But in our force major reviews may affect each other. Any consequential changes in capability almost certainly will. These crossover effects need to be considered before decisions are made on each review.

Levels of Capability. A set of capabilities to carry out defence tasks becomes meaningful, as determinants of a credible minimum force structure, only when the desired level of the capabilities is defined. Maritime surveillance may be a requirement, but the equipment to meet it cannot be settled without deciding how much surveillance is needed, to

what distances from New Zealand, and against what targets in peacetime and in time of tension. Among the factors affecting this aspect of the reviews will be:

- the extent to which the capability contributes to one or more of the eight defence tasks;
- the risk to New Zealand's interests if the capability were not carried in the force structure;
- the warning and lead times needed to develop a capability which could be used against New Zealand, and for New Zealand to respond with countermeasures.

Costs. Each review will need to assess:

- the annual costs under the conventions used for the defence estimates and accrual accounting.
- the range of possible economies at different levels of capability. There are obvious trade-offs to be considered here, but also some constraints. The existing cost carried in the budget does not necessarily reflect the savings which can be realised, even if the entire capability were dropped. Major platforms such as ships and aircraft contribute to several tasks. Eliminating one might not result in significant savings while the same platform continued to be used for other purposes. The long life of ships and aircraft may make a major realignment of capabilities possible only when these platforms are withdrawn from service—one of the rigidities of a small force.
- the effects of a partial reduction or increase. In considering these the review should also assess the savings and revenues or extra expenditure at the relevant levels. A "production curve" of cost versus level may be required.
- estimated figures where accurate cost data cannot be found, with proper qualifications to indicate the degree of uncertainty involved.

Australia. The special transtasman defence relationship will make it both operationally and fiscally sensible to consult with Australia in the course of each of these studies, and to consider the extent of complementarity which may be achievable. Geography makes it inevitable that the potential contribution to Australia's security will have an important weight in assessing the value and level of a capability. The options of sharing, joint operation, collaborative procurement, common training and the development of true ANZAC capabilities are worth consideration and discussion between the two defence forces before recommendations are framed.

Assessment Methods. The existing New Zealand force structure has been measured across eight defence tasks—the "task-oriented approach" explained in an earlier chapter. In particular reviews, however, it may be useful to apply other tests. For example, Net Assessment may have a value in reviewing our anti-submarine warfare capability, by estimating the degree to which any power may be able to

mount a submarine threat to New Zealand's interests over the next ten years. Or Scenario Analysis may help in judging the level of a capability that might reasonably be required. Such methods must be used in a way that is consistent with the Assessment's underlying approach.

With these general points in mind, the following suggests a framework or outline of the issues to be covered in each of the five major reviews.

Incentives for Rationalisation of Assets

Consideration of the planning and funding issues suggests that some of the Government's present financial rules may be limiting the NZDF's ability to maximise savings. There are disincentives which are hindering the process of rationalising Defence assets and organisation.

The major block is perhaps the traditional arrangement whereby the Crown may take some part of the proceeds of the sale of any surplus assets. It would be preferable if these proceeds could be fully retained by Defence, and so reinvested in replacement assets. This should be reviewed with the Treasury, along with the depreciation problem and the obstacles to other financial strategies, such as leasing and vendor financing. The aim should be remove the disincentives and open the way for defence managers to make proper use of the opportunities offered by the financial management reforms.

Air Combat

The combat air support capability of the NZDF consists of twenty-one A-4K and TA-4K Skyhawk aircraft. Their roles are maritime strike, ground support, air defence and reconnaissance. Six are now stationed at Nowra in New South Wales, by agreement with the ADF, principally to provide training opportunities for the Australian Navy. The remainder, forming No.75 Squadron, is based at Ohakea.

The Skyhawks contribute to the protection of territorial integrity and sovereignty, the core of which is a minimum capability for maritime strike and close air support operations. Given the remoteness of the threat, their retention will rest on their contributions to other tasks. These are in practice the last three of the eight tasks. The Skyhawks are less relevant to low-level contingencies in the South Pacific than they may be to the security of Australia. They take part regularly in exercises in Australia, South East Asia and elsewhere. They are a credible contribution to collective security operations at the mid-level range of conventional warfare, providing a combat option that depends more on weaponry than on manpower.

The aim of the review is to consider and make recommendations to the Government on the optimum level of offensive air support which should be retained by the NZDF. The issues to be covered fall into two parts. The first looks at whether the levels of capability provided by the Skyhawks are more than required to meet our defence tasks. If the level of capability is judged to be in excess of the credible minimum, the second will look at the range of options for reducing it.

One set of issues to be considered will include:

- the degree of sophistication and the strike capability required to counter possible threats;
- the capabilities of the Skyhawks in their four roles of maritime strike, ground support, reconnaissance, and air defence;
- the characteristics of the Skyhawks, including range, runway requirements, and technical and logistic support;

Another set will include:

- alternative ways of providing capabilities for offensive air support to the minimum level;
- alternative means of providing effective combat contributions to regional and collective security.

If the outcome suggests a reduction in the present Skyhawk capability, there is a complex of possibilities to be worked through. They range from a decision not to replace the aircraft at the end of their economic life (with wings and avionics recently renewed that is a decade away), putting them up for sale, or exploring the opportunities for shared operations with Australia. The squadron could be mothballed to save operating expenses, or a part mothballed, leaving some planes to retain strike skills and provide air defence training for the other services. The effects on other capabilities and on the Air Force as a whole have to be considered. So would the future of the squadron members and of Ohakea: both would become largely redundant if the strike force was disbanded. There would have to be careful consultation with Australia which has a Skyhawk detachment on loan.

Land Force Reserves

There is a lack of clarity about the role of the land force reserves which stems perhaps from the passage of time and the long history of the territorial units. The origin of these reserves goes back to the volunteer militias of the last century. The contribution they can make to New Zealand's modern defence tasks needs to be re-examined. In particular, there is an ambiguity to be resolved between seeing the land force reserves as the expansion base for war—the 1939 concept—and seeing them as an integral though not full-time part of the NZDF, providing the capability to sustain and reinforce the Ready Reaction Force in low-level operations or higher contingencies.

The issues covered by the review should include:

- the circumstances in which some or all reserves would be called up. Is a call up likely in times of tension or low-level conflict?
- the lead times for calling up reserves. Can they be mustered in time to be useful?
- what size and skill levels are required of the reserve forces and what quantities and types of equipment should be held for them.
- is their level of training and retained military experience adequate for them to integrate with a regular and possibly multinational

force? Do they retain specialist skills to supplement those of the regular force in times of major conflict?

- to what extent can or should the reserves provide an expansion base to meet higher-level emergencies which may be beyond the capacity of the force-in-being?
- to what extent can or should the reserves provide back-up for the regular forces when they are deployed, supplying reinforcements, rotation of personnel and replacement of casualties?
- the level to which the reserves can be the nucleus for the mobilisation of units to relieve those first despatched, if the deployment lasts for some time. To what extent is this traditional concept of reserves still applicable?
- options for improving the management of reserves, including the use of computerised records and a range of incentives.

The core question is where best, in a credible minimum force, to place the fulcrum between the size of the standing force and the size of the reserves. This means balancing the level of readiness required against the savings offered by moving regulars off the rolls and on to the reserves. Both Australia and the United States believe there are economies to be gained by reducing regular forces and placing greater emphasis on better-organised and funded reserves.

In our case, careful thought has to be given to our real deployment needs. The reserves at present provide the basis for deploying a brigade. The cost of this capability is considerable, in the 600 or so regulars who stiffen the structure and in the brigade transport and other equipment held in reserve. The probability of deploying the entire brigade needs to be weighed against these costs. If it were concluded that the more likely use of the reserves was to sustain a reinforced battalion group, rather than a brigade, then savings could become possible in equipment inventories and perhaps in land holdings.

Maritime Surveillance and Anti-Submarine Warfare

A surface surveillance capability is required for New Zealand's maritime approaches. A similar capability for sub-surface surveillance needs to be considered, especially if it is able to monitor shipping as well as submarine activity. The need in our present circumstances to hold anti-submarine weaponry is doubtful and there is no requirement for dedicated anti-submarine vessels. The frigates, however, may need to be fitted with basic protection against submarine attack if they are to contribute effectively to a combined force.

Maritime surveillance is a task firmly embedded in our geography, whereas anti-submarine warfare depends on circumstances. It makes sense, however, to review them together because our main naval and air platforms have been equipped for both tasks. The frigates and the Orions each have a surface and a limited sub-surface surveillance capability, though the ability to target them has been considerably reduced by the denial of foreign operational intelligence. The towed array system

now being trialled would give the frigates an enhanced performance in both tasks, as would an update of the acoustic equipment for the Orions.

The review will assess the levels of maritime surveillance and anti-submarine warfare capability required by New Zealand, examining cost trade-offs between the two. Issues to be covered will include:

- the geographic areas to be covered, the level of coverage, and the response times for adequate surveillance.
- alternative means of providing maritime surface and sub-surface coverage, including reliance on satellites and foreign-sourced intelligence.
- the possibilities for aircraft rationalisation by using the same air-frame for long-range maritime patrol and transport aircraft.
- the ability of other nations to mount a submarine threat against New Zealand or its major interests.
- likely developments in submarine technology and the degree to which they may be adopted in the Asia-Pacific region.
- the technology for detecting and monitoring submarines and the trade-offs in cost between maintaining an active and a residual capability in the NZDF.
- lead times to develop the long range submarine capability needed to threaten New Zealand, and for New Zealand to build up a counter-capability.
- the level of protection against submarine attack required for naval combatants to contribute effectively to a combined force.

Australia, which has submarines, also shares with New Zealand a common interest in affordable anti-submarine capabilities. Consultation will be especially important in this review.

Air and Sea Transport

A mismatch or significant shortfall has been identified in our deployment capability. The defence force has insufficient transport to deploy and sustain a reinforced battalion group away from New Zealand. Although attention was drawn to this inadequacy in the 1987 Defence Review, a remedy has not so far been found. It places an important constraint on our capacity to act promptly at a time of crisis in the South Pacific.

The NZDF's air transport consists of 5 Hercules aircraft which are around twenty-five years old and costly to maintain; 2 Boeing 727s; and shorter-range Andovers for tactical transport. All, but particularly the Hercules, contribute to a number of tasks in New Zealand and abroad and all are near the end of their economic life. There is no dedicated sealift capability. The naval tanker carries fuel oil, but otherwise has only a limited stores capacity.

The review will need to examine two questions which are separate but linked. The first is how best to provide a surge capacity to move troops

and supplies in a crisis. The second is the other side of this coin. With obsolescence about to overtake our entire air transport fleet, we need to consider the optimal size of the future fleet.

A surge capacity is essential to deploying in any force, into the South Pacific, Australia or elsewhere. The requirement is temporary and infrequent. The cost of holding the capacity in the normal force structure may be excessive. A dedicated support ship would have other ancillary uses, disaster relief for example, but these are not determinants of the force structure. On the other hand, inability to deploy fully in a crisis means that our response may be governed by the available transport.

It may be helpful, for example, to look at commercial transport, at the possibility of arranging contingency charters to provide a suitable ship or ships at short notice, and to make them available for annual exercises. Such a compromise would lack many of the features desirable in a purpose-built vessel, but it might prove an economical way of getting heavy sealift in an emergency. Similar agreements may be possible with one or more commercial airlines, enabling troops, reinforcements and supplies to be moved rapidly when needed. Australian capabilities could also be important.

Working through these possibilities means looking at:

- the likely destinations, their physical features and access facilities;
- the size of the force to be deployed;
- the likely length of time of a deployment, and the amount of support and reinforcement needed;
- the most suitable vessels and aircraft, and whether modifications can be quickly and cheaply installed (for example, deck platforms to enable helicopters to be flown off).

The examination of our long-term air transport will balance demand against investment costs to determine the most economical aircraft inventory for the NZDF's normal tasks. Among many technical issues it will study:

- the optimal plan for reinvestment in transport aircraft;
- the possible efficiency gains and savings from a reduction in the number of aircraft types, currently four if the Orions are included;
- whether greater flexibility, and therefore surge capacity, can be gained by moving to a single airframe for transport and maritime patrol. Some countries use transport aircraft for maritime patrols, with the help of interchangeable modules. Specialised capabilities may be lost in such a compromise, especially in sub-surface surveillance. The question to be decided, with the help of the earlier review of anti-submarine warfare, will be whether a loss of surveillance capability is an acceptable price for a larger transport capability in an emergency.

THE REVIEW PROCESS

Each review will be carried out by a joint policy and planning team from the Ministry of Defence and the NZDF. The teams will work separately and, because of the constraints of time, largely in parallel. A steering committee will be formed for each review, and its recommendations will be the subject of consultation with other interested departments and agencies. The work will be documented in a written report, in sufficient detail for the data and arguments to be scrutinised by others. To the greatest extent possible, these reports should be made public.

CONCLUSION

New Zealand has a defence force reasonably matched to its strategic position and to the range of external interests it is intended to support. Some mismatches, however, mean that it is not the credible minimum force recommended by this Assessment. Moving towards that goal will provide a framework and a discipline by which to judge proposals for defence investment. The immediate problem is, as it has been for the past few years, fiscal sustainability. New Zealand has customarily spent around 2% of its GDP on defence. Our present economic difficulties have brought the figure down to 1.8% and it is likely to fall further. The consistency in planning and funding which is the pre-requisite to efficiency still eludes us.

The way ahead outlined in this chapter stresses the importance of starting a process. It suggests the removal of some disincentives which are hindering Defence moves to squeeze costs and make better use of property and other assets. The results of this process will take time and may not be enough. A number of the reviews therefore look at possible reductions in capabilities. The challenge in working through this process will be to balance fiscal sustainability with the credibility of our defence investment, and so to ensure that New Zealand's defence forces continue to support and advance our external interests.

ANNEX ONE

THE NEW ZEALAND DEFENCE FORCE

ORGANISATION AND ORDER OF BATTLE

DEFENCE HEADQUARTERS

Headquarters, New Zealand Defence Force
Defence Scientific Establishment
Defence Support Unit, Singapore

ROYAL NEW ZEALAND NAVY

Command
- Naval Staff
- Auckland Command
- Naval Training Group
- HMNZ Dockyard
- Naval Stores Depot
- Naval Armament Depot
- Hydrographic Branch
- Naval Communications Station: HMNZS IRIRANGI

Bases
- HMNZS PHILOMEL: Fleet Support
- HMNZS TAMAKI: Training

Ships

4 x Leander Class Frigates:	HMNZS WELLINGTON (Gun)
	HMNZS CANTERBURY (Gun)
	HMNZS WAIKATO (Gun)
	HMNZS SOUTHLAND (Ikara)
1 x Fuel Tanker:	HMNZS ENDEAVOUR
1 x Survey Ship:	HMNZS MONOWAI
2 x Inshore Survey Craft:	HMNZS TAKAPU
	HMNZS TARAPUNGA
1 x Oceanographic Research Ship:	HMNZS TUI
1 x Diving Tender:	HMNZS MANAWANUI
4 x Inshore Patrol Craft:	HMNZS HINAU
	HMNZS KIWI
	HMNZS MOA
	HMNZS WAKAKURA
2 x Tugs	

Reserve Divisions

Auckland:	HMNZS NGAPONA
Wellington:	HMNZS OLPHERT
Christchurch:	HMNZS PEGASUS
Dunedin:	HMNZS TOROA

NEW ZEALAND ARMY

COMMAND

Army General Staff

- Army Personnel Agency
- Army Materiel Agency

OPERATIONAL FORCES

Headquarters Land Force Command

Force Troops

The Force Troops are manned by both Regular and Territorial Force soldiers.

- Special Air Service Group
- Force Intelligence Group
- Land Force Headquarters and Signal Squadron
- Force Military Police Unit

Ready Reaction Force (RRF)

The RRF is manned by Regular Force soldiers, with units at appropriate states of operational readiness.

Headquarters RRF

Infantry Battalion

Ranger Capability (drawn from the reinforcement battalion)

Ready Reaction Force Support Unit—which may include any combination of the following:

- Light Armoured Squadron,
- Field Battery,
- Engineer Squadron,
- Signals Troop,
- Intelligence Group,
- Transport Troop,
- Terminal Operations Troop,
- Medical Support Unit,
- Ordnance Support Group,
- Field Workshop,
- Military Police Platoon, and
- Welfare Section.

The RRF may also receive support from the Regular Force elements of Force Troops and the Force Maintenance Group, as required.

Infantry Brigade (1 Bde)

1 Bde is manned largely by Territorial Force personnel. Units are held at a lower state of operational readiness than those of the RRF.

- Headquarters 1 Brigade (including organic signals squadron)
- 3 x Infantry Battalions (formed from 6 x regional battalions)
- Armoured Group
- Field Artillery Regiment
- Field Engineer Squadron
- Transport Squadron including organic Workshops
- Field Ambulance
- Field Supply Company

Field Workshop
Military Police Platoon

Force Maintenance Group (FMG)

FMG is manned largely by Territorial Force personnel. Units are generally held at the same states of operational readiness as those of 1 Bde. The exceptions to this are the Engineer and Transport Squadrons, which have significant Regular Force components, held at higher states of readiness.

Headquarters FMG
Engineer Support Squadron including organic workshops
Transport Squadron including organic workshops
Movement Squadron
Field Hospital
Dental Unit
Field Supply Company
Field Workshop
Military Police Platoon
Welfare Unit

STATIC SUPPORT STRUCTURE

The static support structure is manned by Regular Force and civilian personnel.

Headquarters Support Command
Army Training Group
Base Supply Battalion
Base Workshop
4 x Regional Support Units

ELEMENTS OVERSEAS

Manning for the following operational deployments overseas is Regular Force and drawn from the personnel normally required to man the above structures.

UNTSO
MFO
ESG Moscow
UNMCTT Pakistan
Antarctica Support

ROYAL NEW ZEALAND AIR FORCE

Command

Air Staff

Headquarters, RNZAF Operations Group

Headquarters, RNZAF Support Group

RNZAF Base Auckland

No. 3 Sqn—	14 x UH1-H Iroquois
	Naval Flight-7 x Wasp
No 5 Sqn—	6 x P3K Orion
No 40 Sqn—	5 x C130-H Hercules
	2 x Boeing 727
No 42 Sqn—	9 x Andover

RNZAF Base Te Rapa

No 1 Stores Depot

RNZAF Base Ohakea

No 14 Sqn—	14-O x BAC 167 Strikemaster/
	3-18 x Aermacchi MB 339C
No 75 Sqn—	15 x A4K/TA4K Skyhawk
No 2 Sqn—	6 x A4K/TA4K Skyhawk (NOWRA, NSW)

RNZAF Base Shelly Bay

RNZAF Base Woodbourne

No 1 Repair Depot

RNZAF Base Wigram

Flying Training Wing—	19 x CT-4B Airtrainer
	4 x AESL Airtourer
	4 x Bell 47G Sioux
	3 x F-27-120 Friendship

ANNEX TWO

TASKS AND SUB-TASKS

NO. 1 TO PROTECT THE TERRITORIAL INTEGRITY AND SOVEREIGNTY OF NEW ZEALAND, AND THOSE COUNTRIES FOR WHICH IT HAS CONSTITUTIONAL RESPONSIBILITIES.

Deterrence against threats to New Zealand's territorial integrity or sovereignty.

Expansion of the force-in-being to meet medium or higher level threats against New Zealand's territorial integrity or sovereignty.

Detection, identification and monitoring of surface activity in New Zealand's maritime approaches.

Interception and boarding of vessels infringing New Zealand sovereignty.

Demonstration of naval and air presence in New Zealand's maritime approaches, and Land Force presence on offshore islands.

Sub-surface surveillance of New Zealand's maritime approaches.*

Hydrographic survey of New Zealand's approaches, harbours and ports.

Route surveys of major New Zealand ports.

Detection and clearance of mines in major ports and approaches.*

Maintenance of database on mine warfare technology.

Maintenance of deterrence and counter to terrorist activities.

Assistance to civil communities in situations of crisis, disaster, or disruption to essential services.

Contingency plans and provision of aid to the civil power.

NO. 2 TO PROVIDE DEFENCE ADVICE

Ministerial responses, submissions, assessments, budgets, audits, reviews, operational and corporate plans, six-monthly and Annual Reports.

Internal Outputs:

Development and integration of military and civilian staffs of high calibre.

Provision of relevant training, educational and employment experiences for selected personnel.

Participation in international working groups, conferences and research activities.

NO. 3 TO PROVIDE INTELLIGENCE

Collection, collation, interpretation and dissemination of data on regional and international matters relevant to New Zealand's national security or interests.

Detection and assessment of patterns of movement of civilian and naval shipping throughout the area of New Zealand's strategic interest, i.e. the Asia-Pacific region.

In times of tension, collection of information on sub-surface activity for Naval Control of Shipping in New Zealand's maritime approaches.*

Contribution of military intelligence to the External Assessments Bureau.

Provision of Defence representatives in key New Zealand High Commissions and Embassies.

Collection and interpretation of electronic intelligence.

Provision of New Zealand-sourced information in exchange for information from Allies.

Internal Outputs

Maintenance of an environmental database for maritime operations throughout the South Pacific region.

Maintenance of an environmental database for land-based operations throughout the South Pacific region.

Maintenance of an environmental database for air operations throughout the South Pacific region.

NO. 4 TO MAINTAIN A FORCE-IN-RESERVE

Expanded forces to deal with higher-level emergencies, beyond the capacity of the force-in-being.*

Specialist services for times of major conflict, that are not retained in the force-in-being.

The provision of reinforcements, replacements for casualties and rotation of personnel for regular forces when deployed.*

Reserve of trained and disciplined personnel for national emergencies.

NO. 5 TO PROVIDE ANCILLARY SERVICES

Civil Defence assistance in New Zealand.

Disaster Relief in the South Pacific.

Search and Rescue services.

Surveillance of New Zealand's EEZ.

Logistic support to the Antarctic Programme.

Medical assistance and evacuation.

VIP Flying.

Ceremonial duties.

Support for the NZ Cadet Forces.

NO. 6 TO CONTRIBUTE TO REGIONAL SECURITY

Provision of defence assistance with military training of regional security forces.

Provision of assistance in the strategic development of the South Pacific region.

Provision of surveillance and hydrographic information in South Pacific EEZs.

Provision of military presence in the Asia-Pacific region.

Evacuation of NZ nationals in emergency under conditions of comparatively safe entry and exit.

Response to requests for counter-terrorist and explosives disposal capabilities (maintained for the protection of New Zealand).

Response to low level contingencies in the South Pacific, based on an infantry battalion group of up to 2000, including mortars, light artillery, armoured reconnaissance vehicles, engineers and logistic support.

Participation in land, sea, air and joint exercises in South East Asia.

Contribution of credible force elements to combined response to threats to the security of Australia.

NO. 7 TO PARTICIPATE IN DEFENCE ALLIANCES

Contribution of credible force elements to exercises with Alliance partners.

Routine exchanges of personnel with Allied forces.

Participation in staff and operational courses in Australia, the United Kingdom, Canada and the United States.

Participation in technical and military standardisation agreements.

NO. 8 TO CONTRIBUTE TO COLLECTIVE SECURITY

Credible contributions of identifiable unit-size to peacekeeping forces from within the force-in-being.

Credible contributions of identifiable unit-size to collective security forces from within the force-in-being.

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* Subject to Review

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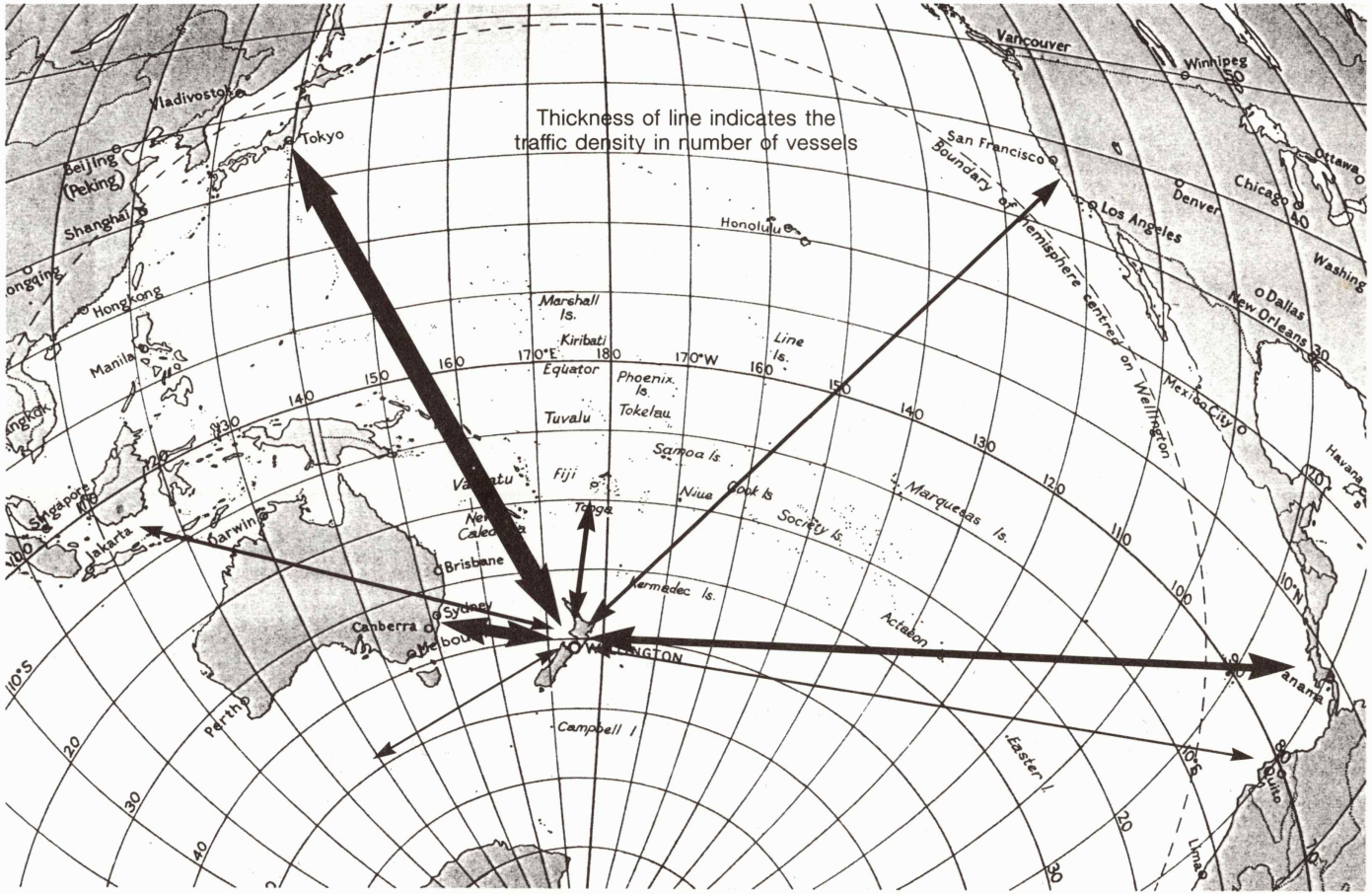
NEW ZEALAND'S SEA TRADE WITH THE WORLD



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